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# Bad Boy Furniture Co.: Case-based Analyses of Retail Expansion and Brand-building

Bradley Lastman  
lastmanb@uwindsor.ca

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**Bad Boy Furniture Co.: Case-based Analyses of Retail Expansion and Brand-building**

By

**Bradley Lastman**

A Major Research Paper  
Submitted to the Faculty of Graduate Studies  
through the Odette School of Business  
in Partial Fulfillment of the Requirements for  
the Degree of Master of Business Administration  
at the University of Windsor

Windsor, Ontario, Canada

2019

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by

**Bradley Lastman**

APPROVED BY:

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D. Bussiere  
Odette School of Business

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P. Voyer, Advisor  
Odette School of Business

April 25, 2019

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## **ABSTRACT**

Case-based research facilitates two major objectives. First, it provides insights into a company, which informs managerial decision-making. Second, case-based learning allows a classroom to evaluate a real problem facing a business. In doing so, an instructor focuses on the options, criteria and decision. Also, an instructor uses the case as a tool, from a pedagogical perspective, to reinforce course material.

The following two cases provide scenarios where a business is uncertain of how to overcome challenges. The decision-maker is provided with information in order to evaluate the options, weigh the options against the criteria and decide which option is ideal. The first case considers whether a business should open a new retail store. This case outlines distribution issues related to expansion, which allows a classroom to discuss marketing strategy from a customer service perspective. The second case considers how a business should establish its brand in a new geographic market. This allows a classroom to evaluate the company's current brand and devise a plan in order to optimally leverage its marketing expertise into establishing the brand in a new market. Additionally, each case has a teaching note that allows an instructor to relate the cases to course material, established frameworks and academic theory.

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## CHAPTER 1 – INTRODUCTION

The case-based teaching method has been adopted by several business schools, including Harvard Business School and the Ivey School of Business.<sup>1</sup> Case-based learning allows a classroom to engage in practical discussions about real business issues.<sup>2</sup> It also enables a classroom to become the decision-maker. In addition, cases pose questions in order to engage students in in-class discussion. The following two cases and teaching notes are subjects of case-based, practitioner focused research.

In both cases, the decision-maker is Blayne Lastman, who is the Chairman and CEO of Bad Boy Furniture Company (Bad Boy). Bad Boy is a discount furniture, mattress, appliance and electronics retailer, comprised of eleven stores. Bad Boy's locations are centred around the Greater Toronto Area (GTA), largely because its headquarters and warehousing operations are located there. The first case considers whether Blayne should open a new retail location in Ottawa. The second case considers how Blayne should build the company's brand in Ottawa.

The first case, titled *Bad Boy: Opportunity to Open a Retail Location in Ottawa*, requires Blayne to decide whether to open a store in Ottawa. The central concern in this case is how expanding into Ottawa will affect Bad Boy's distribution channels. If Blayne decides to open a new store in Ottawa, he will need to open a new warehouse or use third-party warehousing. If he uses third-party warehousing, he will need to decide whether to use owner-operator truck drivers or third-party truck drivers. Blayne must

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<sup>1</sup> Ivey Business School, "Complimentary Cases for Secondary School Classrooms," Ivey, accessed April 17, 2019, <https://www.ivey.uwo.ca/hba/classroom-cases/>.

<sup>2</sup> Ivey Business School, "The Case Method Teaching," Ivey, accessed April 17, 2019, <https://www.ivey.uwo.ca/hba/program-details/hba-exchange-program/study-at-ivey-on-exchange/prepare-to-study-at-ivey/>.



make a decision that allows Bad Boy to maintain its competitive advantage in providing superior customer service.

The teaching note weighs the options against the criteria. It recommends that Blayne should: (1) open a store in Ottawa; (2) use third-party warehousing; and (3) use owner-operator truck drivers. The teaching note analyzes the macro-environment and the competitive landscape by using the PEST analysis and Porter's 5 Forces. Bad Boy is compared to its competitors based on the companies' strengths and weaknesses. Bad Boy's marketing mix is described based on the 4 P's framework.

The second case, titled *Brand Building in Ottawa: A New Market*, is written from the perspective that Blayne has chosen to open a store in Ottawa in three months. As a result, the decision-maker must devise a plan in order to create brand awareness in Ottawa. Bad Boy's brand is based on zany and quirky advertisements. Blayne pioneered innovative advertisements including television commercials with a Bill Clinton look-a-like and several celebrities. Bad Boy's television commercials display Blayne and his father, Mel Lastman, shouting the company's slogan "Who's better than Bad Boy? NOOOBODY!!!" The decision-maker must leverage the marketing expertise of Bad Boy's executive team in order to build the company's brand in Ottawa.

The teaching note explains the ELM Framework and how Bad Boy's slogan can be considered as a peripheral cue. It also explains the company's brand image, brand statement and relative positioning. The teaching note expands on the company's brand personality according to Aaker and Keller's frameworks.

The two cases facilitate learning opportunities in a classroom. Not only are the cases based on real business problems, but the cases provide pedagogical value to an instructor because they frame specific issues to be covered in classroom discussion. The cases are intended to be used for upper year advertising, distribution channels and branding courses. In addition, they are applicable to an MBA marketing management course.

## **CHAPTER 2 – BAD BOY: OPPORTUNITY TO OPEN A RETAIL LOCATION IN OTTAWA**

In July of 2019, Blayne Lastman, the Chairman and CEO of Bad Boy, was sitting in his office anticipating the opening of the company's eleventh retail location which will be in Kingston, Ontario. The Kingston store is opening in three weeks, and this has inspired Blayne to consider whether it is time to open a new retail location in Ottawa, Canada's capital city. Ottawa would represent the biggest market that Bad Boy has entered since its inception in Toronto in 1991. The decision of whether to open a retail location in Ottawa must be made within one month, as a landlord has agreed to reserve a prime leasing opportunity during this timeframe. All of the company's existing retail locations are within 250 kilometres of the Greater Toronto Area (GTA) (Exhibit 1). Bad Boy is a discount furniture retailer, as it has low prices relative to its competitors. The company primarily sells four product categories: furniture, mattresses, appliances and electronics (Exhibit 2). Bad Boy has differentiated itself through its commitment to customer service and expertise in marketing.

When deciding whether to open a new location, Blayne considers a number of different criteria, including demographics, leasing space, and brand recognition. Ottawa meets all of these criteria. If Blayne decides to open a new store in Ottawa, he must determine whether to open a second warehouse in Ottawa or use third-party warehousing. If he decides to use third-party warehousing, he must also decide whether to use owner-operator truck drivers or third-party truck drivers. Blayne recognizes that Bad Boy must maintain its current level of customer service if the company opens a store in Ottawa, as this will be a crucial component of the company's potential success there. In order to ensure that Bad Boy delivers quality customer service in Ottawa, Blayne must understand

the company's distribution channels, including manufacturing, distributing to retailers, and delivering to customers.

### **Industry: Distribution Channels**

The discount retail furniture industry in Canada is comprised of retailers that sell furniture, mattresses, appliances, and electronics. The Canadian retail market is dominated by national retailers.<sup>3</sup> However, retailers in Canada are reliant on manufacturers from Canada, the United States, and Asia. Manufacturers sell their products to either distributors or directly to retailers. Retailers generally deliver merchandise to customers' homes (Exhibit 3).

### *Manufacturing*

Both the furniture and mattress manufacturing industries maintain a presence around the world but are especially prevalent in Asia due to low labour costs and the availability of raw materials.<sup>4</sup> In 2018, Asia accounted for 44% of the global furniture manufacturing industry.<sup>5</sup> This includes China, Cambodia, and Vietnam. Nonetheless, 25% of global furniture is manufactured in North America, despite Asia's lower labour costs.<sup>6</sup> This is because of the United States' and Canada's reputation for quality.<sup>7</sup>

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<sup>3</sup> GlobeNewswire, Inc., "Global Furniture Market to hit US\$750 bn by 2024," Global Market Insights, Inc., December 11, 2018, accessed April 18, 2019, <https://www.globenewswire.com/news-release/2018/12/11/1664870/0/en/Global-Furniture-Market-to-hit-US-750-bn-by-2024-Global-Market-Insights-Inc.html>.

<sup>4</sup> Government of Canada, "Furniture manufacturing industry profile," Government of Canada, January 4, 2017, accessed April 18, 2019, [https://www.ic.gc.ca/eic/site/026.nsf/eng/h\\_00073.html](https://www.ic.gc.ca/eic/site/026.nsf/eng/h_00073.html).

<sup>5</sup> Research and Markets, "Furniture Manufacturing Market Global Briefing 2018," Research and Markets, January, 2018, accessed April 18, 2019, [https://www.researchandmarkets.com/research/4mhpmk/global\\_furniture?w=4](https://www.researchandmarkets.com/research/4mhpmk/global_furniture?w=4).

<sup>6</sup> Research and Markets, "Furniture Manufacturing Market Global Briefing 2018."

<sup>7</sup> Government of Canada, "Furniture manufacturing industry profile."

Both the appliance and electronics manufacturing industries are consolidated, with a limited number of manufacturers in each industry. In the appliance industry, ten manufacturers account for 66% of the global market,<sup>8</sup> and in the electronics industry, ten manufacturers account for 73% of the global market.<sup>9</sup> This is because the brand of appliances and electronics is a priority for purchasers. This makes it difficult for new, non-established manufacturers to successfully enter the market. The majority of appliance and electronics manufacturers are headquartered in Asia, Europe, and the United States.<sup>10</sup>

### *Distribution from Manufacturing*

Manufacturers of furniture, mattresses, appliances, and electronics sell their products either to distributors or directly to retailers.

Furniture and mattress manufacturers in Canada and the United States tend to sell products directly to retailers. However, furniture and mattress manufacturers in Asia tend to sell their products to Canadian or American distributors. Reasons for this include language barriers, time differences, and cultural differences.<sup>11</sup>

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<sup>8</sup> IHS Inc., “Global home appliance industry continues to consolidate, while companies undergo transformation”, IHS Markit, May 24, 2018, accessed April 19, 2019, <https://technology.ihs.com/603220/global-home-appliance-industry-continues-to-consolidate-while-companies-undergo-transformation>.

<sup>9</sup> Statista, “TV Manufacturers: LCD TV Market Share Worldwide 2017,” accessed March 25, 2019, <https://www.statista.com/statistics/267095/global-market-share-of-lcd-tv-manufacturers/>.

<sup>10</sup> Samantha Lastman (Director of Business Development, Bad Boy), in discussion with the author, February 16, 2019.

<sup>11</sup> S Lastman, discussion, February 16, 2019.

Appliance and electronics manufacturers sell directly to retailers, as they have their own distribution networks in Canada. For example, Samsung has a sales team in Canada that sells Samsung's products that were manufactured abroad.<sup>12</sup>

### *Retailer Purchasing*

Retailers primarily purchase furniture and mattresses at semi-annual tradeshows. The largest furniture tradeshow in the world is in High Point, North Carolina, with retailers, distributors and manufacturers from around the globe in attendance.<sup>13</sup> There are 75,000 attendees at the High Point tradeshow, 10% of which are “international” (from outside of the United States).<sup>14</sup> The trade show is held on twelve million square feet of floor space that spans 180 buildings.<sup>15</sup> At the show, manufacturers and distributors promote their merchandise to retailers. Retailers set appointments with manufacturers and/or distributors in order to purchase merchandise. When a retailer purchases merchandise at the show, it typically takes six months for the manufacturer or distributor to ship the merchandise to the retailer, as retailers purchase products to be sold in the upcoming season. Therefore, retailers must predict design trends and typically also weigh price, comfort, and availability in their buying decisions.

When a retailer buys furniture and mattresses that are manufactured in Asia, the retailer may set an appointment with the manufacturer to purchase merchandise directly or, in the alternative, the retailer may set an appointment with a distributor that is based out of Canada or the United States. When a retailer purchases merchandise directly from

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<sup>12</sup> S Lastman, discussion, February 16, 2019.

<sup>13</sup> High Point Market Authority, “About Market”, High Point Market, 2019, accessed April 10, 2019, <http://www.highpointmarket.org/about-market>.

<sup>14</sup> High Point Market, “About Market.”

<sup>15</sup> High Point Market, “About Market.”

a manufacturer, the products are less expensive, but the retailer bears the financial risk that the manufacturer will not fulfill the order on time or that the shipment will not arrive at all. Conversely, if a retailer purchases products from a distributor, the distributor buys the merchandise from the manufacturer and then sells it to the retailer. In this situation, the distributor bears the financial risk that the merchandise might be damaged or delayed. Consequently, merchandise purchased from a distributor will be more expensive because the retailer transfers the financial risk to the distributor.

While there are respective tradeshow for the appliance and electronics industries, retailers are not as reliant on them. The appliance and electronics manufacturers and distributors travel to retailers' offices and sell products without physically displaying the products. This process is preferred for retailers, as the retailer does not need to send employees to tradeshow, which is expensive and time-consuming. Since there are a limited number of appliance and electronics suppliers, the suppliers dictate the market prices through minimum advertised pricing, whereby the suppliers regulate prices of their goods.<sup>16</sup>

Once a retailer has purchased products from either a manufacturer or a distributor, the products are shipped to the retailer's warehouse. At this stage, the retailer is responsible for delivering the merchandise to each of its stores to be displayed. Excess products are held in the company's warehouse for delivery to customers.

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<sup>16</sup> S Lastman, discussion, February 22, 2019.

### *Distribution to Customers*

The delivery process to customers is a critically important aspect. There are several ways in which retailers receive their products, store them, and then deliver the products to customers.

Retailers may operate their own warehouse, which requires the retailer to be responsible for transferring the products from the distributors' trucks into the warehouse, storing the products, transferring the products into delivery trucks, and then delivering the products to customers' homes. Operating a warehouse may require the retailer to own or lease its trucks and employ drivers. In this situation, the retailer assumes the financial risk of any form of defect to the truck and the retailer must pay the drivers' benefits and insurance. Conversely, a retailer may use owner-operator truck drivers, allowing drivers to own their trucks and operate as independent contractors of the retailer. The owner-operator truck driver bears any risk to the truck and the retailer is not responsible for benefits. However, owner-operator truck drivers receive greater compensation.<sup>17</sup>

Retailers may also use third-party warehouses to store and distribute products. Third-party warehouses operate the warehouse and charge retailers by square foot to store products. Based on an estimate provided to Bad Boy executives, these costs are \$30 per square foot in the GTA.<sup>18</sup> Additionally, the third-party warehouse provides security and services that are essential, such as transferring products from the warehouse to the truck. The warehouse may contain the goods of several retailers. Third-party warehouses offer

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<sup>17</sup> S Lastman, discussion, February 22, 2019.

<sup>18</sup> S Lastman, discussion, March 15, 2019.



trucks to deliver merchandise to customers' homes. Retailers are also permitted to use their own truck drivers, whether they are employees or owner-operators.<sup>19</sup>

### **Industry: Retailers**

In the discount retail furniture industry, the barriers to entry are high. Since the products are physically large and expensive, a new entrant would need to have significant financing in order to purchase and warehouse inventory. Economies of scale are critical in order to allow the retailer to sell goods at a lower price and have access to the necessary distribution network.

### *Industry Trends*

In Canada, the retail furniture industry is estimated to be \$11.1 billion in 2019.<sup>20</sup> This industry consists of subgroups, which include: household furniture, office furniture, kitchen cabinets, and institutional furniture.<sup>21</sup> Household furniture accounts for 41.4% or \$4.64 billion.<sup>22</sup> This industry is expected to grow by 1.8% in 2020, 0.9% in 2021 and 0.9% in 2022.<sup>23</sup> While this growth rate is moderate, it demonstrates that the retail furniture industry will continue to expand.

### *Competitors*

Bad Boy's direct competitors are retailers that sell furniture, mattresses, appliances, and electronics. In Ontario, this market is dominated by Leon's and its

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<sup>19</sup> Blayne Lastman (Chairman and CEO, Bad Boy), in discussion with the author, February 18, 2019.

<sup>20</sup> IBISWorld, "Furniture Stores – Canada Market Research Report", IBIS, March, 2018, accessed February 12, 2019, <https://www.ibisworld.ca/industry-trends/market-research-reports/retail-trade/furniture-stores.html>.

<sup>21</sup> IBIS World, "Furniture Stores – Canada Market Research Report."

<sup>22</sup> IBIS World, "Furniture Stores – Canada Market Research Report."

<sup>23</sup> IBIS World, "Furniture Stores – Canada Market Research Report."

subsidiary, The Brick. Leon's was founded in 1909 and has 47 locations in Ontario.<sup>24</sup> In 2012, Leon's purchased The Brick for \$700 million.<sup>25</sup> The Brick has 74 locations in Ontario and was founded in Edmonton, Alberta.<sup>26</sup> Leon's is a publicly traded company and had over \$2.2 billion in sales in 2018.<sup>27</sup> As of September 30, 2018, Leon's had over \$40 million of cash and cash equivalents.<sup>28</sup>

Bad Boy's direct competitors have different distribution operations. Leon's suppliers deliver to two warehouses in Ontario, both located in Toronto. One of the warehouses is responsible for delivering merchandise to Western Ontario, while the other warehouse is responsible for delivering merchandise to Eastern Ontario. Almost every Leon's store has an attached warehouse; consequently, Leon's trucks deliver from Toronto to the Leon's store that sold the product, and then the store is responsible for delivering the merchandise to the consumer. Even though Leon's owns The Brick, they operate their distribution networks separately. The Brick has one central warehouse in Ontario, which is where suppliers ship products. The Brick then delivers the goods to smaller regional warehouses, which are located across the province.<sup>29</sup>

Bad Boy's indirect competitors are retailers that might offer one or more of its product categories. In the furniture market, Bad Boy competes with Sweden-based Ikea. Ikea differentiates itself based on convenience and cost. When Ikea sells products, they are usually sold disassembled in a box, which allows the customer to take the products

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<sup>24</sup> Leon's Furniture Limited, "Annual Report 2018," SEDAR, accessed March 10, 2019.

<sup>25</sup> Leon's Furniture Limited, "News Release," SEDAR, November 12, 2007, accessed March 10, 2019.

<sup>26</sup> Leon's, "Annual Report 2018."

<sup>27</sup> Leon's, "Annual Report 2018."

<sup>28</sup> Leon's Furniture Limited, "Interim Condensed Consolidated Financial Statements," SEDAR, accessed March 10, 2019.

<sup>29</sup> B Lastman, discussion, February 14, 2019.

home as soon as they are purchased. This allows Ikea to reduce its costs and pass those savings onto its customers.<sup>30</sup> Ikea is primarily a discount furniture retailer, but it also sells appliances.<sup>31</sup> Another indirect competitor, Ashley HomeStore (Ashley) sells furniture and mattresses.<sup>32</sup> Ashley has 23 locations in Ontario and is headquartered in the United States.<sup>33</sup> Ashley is a retailer, manufacturer, and distributor, as it manufactures its own merchandise in developing countries and acts as a distributor to retailers around the globe.<sup>34</sup> Sleep Country is a Canadian company and the only national specialty mattress retailer.<sup>35</sup> Sleep Country has 108 locations in Ontario.<sup>36</sup> Within the electronics industry, Best Buy is an American company that is dominant in Ontario, with 54 large-format retail locations.<sup>37</sup> Bad Boy also indirectly competes with independent retailers, who generally have lower quality products. In addition, these retailers also usually have lower purchasing power which does not allow them to compete on price with any regional or national company in this industry (Exhibit 4).

## **Ottawa**

Blayne's expansion plan is to open more stores in order to drive revenue and ultimately, profitability.<sup>38</sup> If Bad Boy's management decides to open a store in Ottawa, it would be the biggest market that the company has entered since its inception in 1991. When a new store is opened, the company's executive team examines the potential city's

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<sup>30</sup> S Lastman, discussion, February 22, 2019.

<sup>31</sup> Inter IKEA Systems B.V., "Products," IKEA, 2019, accessed February 25, 2019, <https://www.ikea.com/ca/en/>.

<sup>32</sup> Ashley Furniture HomeStore, "Furniture," Ashley HomeStore, accessed February 25, 2019, <https://www.ashleyfurniture.com/>.

<sup>33</sup> Ashley HomeStore, "Locations."

<sup>34</sup> B Lastman, discussion, February 14, 2019.

<sup>35</sup> Sleep Country Canada, "Annual Report 2018," SEDAR, accessed March 25, 2019.

<sup>36</sup> Sleep Country, "Annual Report 2018."

<sup>37</sup> Best Buy Co., Inc., "Annual Report 2018," EDGAR, accessed March 10, 2019.

<sup>38</sup> B Lastman, discussion, February 14, 2019.

economic landscape, demographics, and competition. Ottawa is an attractive potential destination for a new store because of its close proximity to Toronto, as well as its strong economic landscape and demographics.

As Blayne is seeking to expand, Ottawa is a logical option considering the location of major cities in Canada, relative to Toronto (Exhibit 5). Excluding any market where the company currently operates a retail location, only six markets in Canada have a population of over 600,000: Montreal (1,700,000), Calgary (1,240,000), Ottawa (934,000), Edmonton (932,000), Winnipeg (705,000) and Vancouver (631,000).<sup>39</sup> Blayne has no intention of opening a retail location in Montreal due to the cultural and language barriers.<sup>40</sup> He would not consider opening a store in Calgary, Edmonton, Winnipeg, or Vancouver because these markets are located at least 2,200 kilometres from the company's headquarters in Toronto.<sup>41</sup> This has the potential to create warehousing, delivery and human resources issues that the company's executive team is not currently positioned to overcome. Therefore, between the largest markets in Canada, Ottawa is the company's most attractive opportunity for retail store growth.

Ottawa represents a market that could be very lucrative for the company. The Federal government is the largest employer in Ottawa, as Federal employees comprise 20% of Ottawa's workforce.<sup>42</sup> Ottawa's unemployment rate is 5.2%, compared to

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<sup>39</sup> Government of Canada, "Municipalities in Canada with the largest and fastest-growing populations between 2011 and 2016," Statistics Canada, February 8, 2017, accessed March 25, 2019, <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016001/98-200-x2016001-eng.cfm>.

<sup>40</sup> B Lastman, discussion, February 10, 2019.

<sup>41</sup> B Lastman, discussion, February 10, 2019.

<sup>42</sup> Government of Canada, "Government," Statistics Canada, January 17, 2018, accessed February 20, 2019, <https://www150.statcan.gc.ca/n1/pub/11-402-x/2011000/chap/gov-gouv/gov-gouv-eng.htm>.

Ontario's 5.6%.<sup>43</sup> Over the last several years, the Canadian economy has shown strength overall; however, there have been several brick-and-mortar retailers that have been forced into bankruptcy, as consumers have found e-commerce to be a more practical option.<sup>44</sup> Nonetheless, the furniture industry has not been adversely affected.<sup>45</sup> This may be because consumers feel the need to 'test out' furniture and mattresses before making a purchase.

The city of Ottawa has a population of 934,000.<sup>46</sup> Ottawa is on the border of the French-speaking province of Quebec, where it borders the city of Gatineau. The city of Kanata, Ontario is twenty kilometres from Ottawa (Exhibit 6). There are 394,000 people residing in Kanata and Gatineau combined, although they are very different markets.<sup>47</sup> To highlight the magnitude of the Ottawa opportunity, Bad Boy's management plans to open a new store in Kingston, Ontario, which has a population of 117,000.<sup>48</sup> In other words, the potential Ottawa store would be serving a population nearly 12 times the size.

The potential competition in the Ottawa marketplace is similar to the company's competition in other geographic locations. Specific to the Ottawa region, the major competitors, Leon's and The Brick, each have two locations.<sup>49</sup> The Brick also has one

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<sup>43</sup> Government of Canada, "Labour force characteristics by census metropolitan area, three-month moving average, seasonally adjusted and unadjusted, last 5 months," Statistics Canada, accessed February 20, 2019, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410029401>.

<sup>44</sup> B Lastman, discussion, February 18, 2019.

<sup>45</sup> IBIS World, "Furniture Stores – Canada Market Research Report."

<sup>46</sup> Government of Canada, "Census Profile, 2016 Census," Statistics Canada, accessed February 20, 2019, <https://www12.statcan.gc.ca/censusrecensement/2016/dppd/prof/details/page.cfm?Lang=E&Geo1=CSD&Geo2=PR&Code2=01&Data=Count&SearchType=Begins&SearchPR=01&TABID=1&BI=All&Code1=3506008&SearchText=ottawa>.

<sup>47</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>48</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>49</sup> Leon's Furniture Limited, "Nearest Store," Leon's, accessed February 24, 2019, [leons.ca](http://leons.ca).

location in Kanata.<sup>50</sup> Ashley and Ikea both have one location in Ottawa,<sup>51</sup> while Sleep Country and Best Buy each have several locations.<sup>52</sup> Even though there are many independent discount furniture retailers in Ottawa, no regional furniture discount chain has penetrated this market. Blayne believes that the absence of a regional furniture chain in Ottawa enables it to be an attractive potential retail store opportunity.<sup>53</sup>

### **Bad Boy: Company Background**

Bad Boy's revenue is generated from its physical retail operations, its e-commerce platform, as well as its business-to-business sales to real estate developers and owners.<sup>54</sup> The firm's physical retail business is its primary concern, representing 82% of its revenue in FY2018 (Exhibit 7).<sup>55</sup> The company currently has ten Ontario-based retail stores that vary from 19,000 to 33,000 square feet (Exhibit 8).<sup>56</sup> All of the stores are located in and around the GTA.<sup>57</sup> The reason for this Toronto-centric approach is because Toronto is where the firm's name recognition is strongest and where its warehouse is located.

Bad Boy also generates revenue from its e-commerce platform, as well as its business-to-business sales to real estate developers and owners. The company's e-commerce site has been growing faster than any physical store over the last seven years. In FY2018, e-commerce sales represented 10% of revenue.<sup>58</sup> Additionally, Blayne has

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<sup>50</sup> The Brick Warehouse LP, "Store Locator," The Brick, accessed February 24, 2019, thebrick.com.

<sup>51</sup> Ashley HomeStore, "Locations." & IKEA "Find a location near you."

<sup>52</sup> Sleep Country Canada, "Find a Store," Sleep Country, accessed February 24, 2019, sleepcountry.ca & Best Buy Canada Ltd., "Store Locator," Best Buy, accessed February 24, 2019, bestbuy.ca.

<sup>53</sup> B Lastman, discussion, March 4, 2019.

<sup>54</sup> B Lastman, discussion, February 14, 2019.

<sup>55</sup> B Lastman, discussion, March 4, 2019.

<sup>56</sup> B Lastman, discussion, February 14, 2019.

<sup>57</sup> Bad Boy Furniture, "Find a Store", Bad Boy, accessed February 15, 2019, badboy.ca.

<sup>58</sup> B Lastman, discussion, March 4, 2019.

been focusing on growing the company's business-to-business sales to real estate owners and developers. This involves supplying appliances in bulk to apartment buildings, condominiums, townhouses, housing developments and retirement communities. In FY2019, this is expected to contribute to 10% of revenue.<sup>59</sup>

### *History*

In 1955, Mel Lastman opened the first Bad Boy store in Toronto. Mel differentiated the company by offering lower prices and greater customer service than its competitors. In fifteen years, the company grew to 40 locations under Mel's control. However, in 1972, Mel decided to enter the political arena and became the Mayor of the city of North York.<sup>60</sup> In order to focus solely on politics, Mel sold the company in 1975.<sup>61</sup> Although the company subsequently ceased operations, Mel rose to celebrity status. He acted as the Mayor of North York for 28 years and the Mayor of Toronto for six years. In 1991, Mel's son, Blayne, relaunched Bad Boy in Toronto and grew the chain to 11 retail locations in and around the GTA.<sup>62</sup> The Bad Boy team has continued to provide strong customer service and has centered the company's marketing initiatives around humour, energy and creativity.

### *Emphasis on Customer Service*

Blayne believes that Bad Boy has "differentiated itself in the furniture industry through customer service."<sup>63</sup> Customer service refers to the company's executives' desire

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<sup>59</sup> B Lastman, discussion, March 4, 2019.

<sup>60</sup> Bad Boy, "About Bad Boy."

<sup>61</sup> Bad Boy, "About Bad Boy."

<sup>62</sup> Bad Boy, "About Bad Boy."

<sup>63</sup> B Lastman, discussion, February 10, 2019.

to ensure that customers are satisfied with all of their interactions with the company.<sup>64</sup> These interactions include customers' time spent in the store, the delivery of merchandise to customers, and any issues that take place after delivery. In terms of customer service, the company is particularly strong when delivering products to customers. The company's warehousing and delivery operations have allowed Blayne to exceed his customers' service expectations.

### *Warehousing*

Bad Boy's management operates one warehouse, which is located in Toronto.<sup>65</sup> The warehouse is 89,000 square feet and is attached to the company's 19,000 square foot head office (Exhibit 9).<sup>66</sup> With such close proximity between the head office and the warehouse, Blayne and other company executives are able to provide oversight of the warehouse's operations.

Blayne employs numerous buyers for each product category. There are two ways in which buyers for the company purchase products. First, they purchase products directly from Canadian/American manufacturers and second, they purchase products from Canadian/American distributors that purchased merchandise manufactured in Asia (typically from China, Cambodia and Vietnam).<sup>67</sup> If the products were manufactured in Canada/United States, the manufacturer delivers the merchandise to the company's warehouse, whereas if the products were manufactured in Asia, the distributor delivers the merchandise to the warehouse. In either instance, the incoming delivery trucks are offloaded into the warehouse (Exhibit 10). It is imperative that the 56 warehouse

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<sup>64</sup> B Lastman, discussion, March 4, 2019.

<sup>65</sup> Bad Boy Furniture, "Find a Store."

<sup>66</sup> S Lastman, discussion, March 15, 2019.

<sup>67</sup> B Lastman, discussion, March 4, 2019.



employees remove the products with care and in a timely fashion. If the employees are not careful, then the products may be damaged. Further, if the trucks are not unloaded quickly, there may be a backlog, which results in late deliveries to customers.<sup>68</sup>

In order for Blayne to control the company's level of quality and customer service, there is an in-house repair team and the firm's staff are required to perform inspections before delivery. When products are received at the warehouse, the manager on duty must certify that they are in good condition. Following this, the merchandise is stored in the warehouse (Exhibit 11). When the products are placed onto the loading dock (Exhibit 12), they are inspected by the loader. The driver will also do an inspection to ensure that the products are not damaged.<sup>69</sup> The multi-stage inspection process prevents damaged goods from being delivered to customers, which is a key component in providing strong customer service.

#### *Delivery to Customers*

The way in which merchandise is delivered to customers is the foundation of the company's competitive advantage in customer service. The company uses owner-operator truck drivers, the majority of which have been working with Bad Boy for over 10 years.<sup>70</sup> The owner-operator truck drivers work exclusively with Bad Boy and they are required to have the company's branding on their trucks.<sup>71</sup> These drivers are required to employ a 'helper' who travels with them and assists with loading and unloading products. This enables the drivers to provide timely delivery to customers, and also allows the drivers to complete more deliveries per day. The drivers are paid on commission as a

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<sup>68</sup> S Lastman, discussion, February 16, 2019.

<sup>69</sup> S Lastman, discussion, March 15, 2019.

<sup>70</sup> S Lastman, discussion, March 15, 2019.

<sup>71</sup> S Lastman, discussion, March 15, 2019.

percentage of the dollar value of the merchandise delivered, and they are responsible for their own expenses, including gas. In the event that a driver damages goods, he or she is financially responsible. This incentivizes drivers to use the utmost care when delivering products.

When drivers deliver goods to a customer, they take off their shoes as a courtesy. If necessary, they remove the door to get products into the house or into a room. The drivers unpack products and place them wherever the customer desires. The drivers also assemble products as required. Additionally, the drivers offer to remove any old furniture or other disposal that the customer has as a result of the delivery.<sup>72</sup> Drivers are integral to the firm's competitive advantage in customer service.

### *Human Resources*

Blayne describes his employees as “the company’s most valuable asset,” but also “the company’s greatest weakness.”<sup>73</sup> Bad Boy has a loyal base of employees that strive to provide strong customer service. However, the company’s executive team spends a significant amount of time dealing with employees who are less passionate about the company.

As Chairman and CEO, Blayne is the ultimate decision-maker and owns 100% of the company.<sup>74</sup> Because Bad Boy is a privately-owned company, Blayne does not answer to any investors. Blayne is involved with every function of the business, with an emphasis on marketing and human resources. Mel, who is well known for being the company’s original founder, acts as a figure head. While Mel is no longer involved in the

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<sup>72</sup> S Lastman, discussion, March 15, 2019.

<sup>73</sup> B Lastman, discussion, February 10, 2019.

<sup>74</sup> B Lastman, discussion, February 10, 2019.

company's day-to-day operations, he continues to appear in Bad Boy advertisements.<sup>75</sup> Samantha Lastman, Blayne's daughter, joined the company in 2016 as Director of Business Development. Samantha previously worked as a consultant implementing technological systems and ensuring quality control. Jim Smith, the President of Bad Boy, is an accountant. He is involved with several functions of the company, but he focuses on human resources and operations. Barbara Li is the company's controller. The accounting and finance departments report to Li.

The Senior Vice President of Operations, Doug Clarke, reports to Smith directly. There are four day and night managers that report the Senior Vice President. The remainder of the warehouse employees report to the managers. The warehouse employees' jobs vary, as some employees specialize as technicians or clamp operators, and others are movers (Exhibit 13).<sup>76</sup>

### **Decision Criteria**

Given the company's overall strategic orientation, which is focused on expansion (as mentioned), the associated processes involved with opening a new store is recognized by senior management as being critical for long-term financial success. Through experience attained via the aforementioned numerous expansion initiatives in the GTA, and recently in Kingston, Blayne has developed an overall procedural approach for expansion. He considers the overall expansion process as comprised of three major stages: (1) selection of the appropriate target city and leasing space; (2) implementing the

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<sup>75</sup> B Lastman, discussion, February 18, 2019.

<sup>76</sup> S Lastman, discussion, February 26, 2019.

grand opening formula/template; and (3) effectively managing store operations – post opening in order to achieve profitability.

### *Target City*

Ottawa meets the executive team's criteria, making it an attractive city to open a retail location. This is because of Bad Boy's brand recognition in Ottawa, as well as the city's demographics. Name recognition in a potential market has historically been an integral criterion in Blayne's decision of whether to expand the company's retail operations. Typically, Blayne only opens retail locations where the consumers are aware of Bad Boy and the "Lastman" name. The executive team believes that Bad Boy is well-known in Ottawa.<sup>77</sup> Though not entirely certain, Blayne believes that this is due to Mel's fame, coupled with the fact that 30% of all of Bad Boy's advertisements reach the Ottawa area.<sup>78</sup> Nonetheless, Blayne must be convinced that the brand is strong enough in the potential market to achieve success.

The company's executives then determine whether the demographics of the target city and the company's consumers match. Bad Boy succeeds in markets where the population of the city and its surrounding area is 100,000 or greater, and the household income is between \$80,000 and \$120,000.<sup>79</sup> Therefore, Ottawa represents a lucrative market because of its relatively large population and high employment rates.

### *Leasing Space*

There is also a consideration of the quality of the potential leasing space. Blayne weighs the potential location's closest traffic intersection and property type. He positions

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<sup>77</sup> B Lastman, discussion, February 12, 2019.

<sup>78</sup> B Lastman, discussion, February 12, 2019.

<sup>79</sup> B Lastman, discussion, February 10, 2019.

Bad Boy stores in high traffic plazas, often surrounded by direct competitors. This allows customers to easily compare different retailers' product offerings and prices. The firm's management team prefers leasing spaces that are between 18,000 and 32,000 square feet (Exhibit 14). Blayne also considers the potential landlord when choosing a location.<sup>80</sup> He has longstanding relationships with landlords which has allowed him to benefit from reduced rental rates and greater service.<sup>81</sup>

### *Grand Opening Formula*

Since 2006, Bad Boy's management has implemented the same action plan in order to successfully open new stores. They have been satisfied with all new store openings, as they have consistently met their revenue objectives.<sup>82</sup>

Typically, the store opening formula consists of a six-month process. Six months prior to a grand opening, the company's staff will order floor model products to display in the new store.<sup>83</sup> Once this is complete, three months before the store opening, the company's management team saturates the new market with advertising.<sup>84</sup> This requires a one-time marketing investment of \$500,000 over and above the firm's expected annual marketing expenditures.<sup>85</sup> The goal is to communicate to the potential market that Bad Boy will offer superior savings, selection, and service.

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<sup>80</sup> B Lastman, discussion, February 18, 2019.

<sup>81</sup> B Lastman, discussion, February 18, 2019.

<sup>82</sup> B Lastman, discussion, February 22, 2019.

<sup>83</sup> Bad Boy Furniture, *Grand Opening Guide Book*, internal document.

<sup>84</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>85</sup> B Lastman, discussion, February 22, 2019.

Three months before the grand opening of a new location, the human resources team hosts a job fair.<sup>86</sup> All new salespeople attend one week of training at the company's head office and work in an existing store for one month.<sup>87</sup> After this period, the new location has a "soft opening," which is not publicly announced in order for the new employees to familiarize themselves with the new store (Exhibit 15).<sup>88</sup> During the grand opening weekend, Blayne transfers 40 of his top staff, including managers, salespeople, front desk staff and movers to the new location.<sup>89</sup>

### *Profitability*

When Blayne considers opening a new retail location, his ultimate concern is that the potential store must be profitable. This requires the company to effectively manage the store post-opening in order to achieve its revenue objectives. Based on previous store openings and the city of Ottawa's demographics, Blayne hopes that the potential Ottawa store's revenue will be between \$10,000,000 and \$12,500,000 in its first year (Exhibit 16).<sup>90</sup> The firm's potential expansion into Ottawa requires costs of operating a store and a potential warehouse. After considering product margins, the company's operating costs are 30% of its gross profit, excluding any additional costs that relate to opening a store in Ottawa.<sup>91</sup>

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<sup>86</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>87</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>88</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>89</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>90</sup> B Lastman, discussion, March 19, 2019.

<sup>91</sup> B Lastman, discussion, March 19, 2019.

## Challenges

The potential expansion into Ottawa would pose the biggest risk that Blayne has taken.<sup>92</sup> In order to be successful in a new location, the company must be able to maintain its competitive advantage in customer service. Consequently, Bad Boy's executives must overcome warehousing, delivery, and human resources challenges.

### *Warehousing*

The company's current warehousing facility in Toronto is not sufficient if Blayne decides to open a store in Ottawa. Not only is the drive from Toronto to Ottawa impractical, but the current facility operates at close to full capacity and could not support another retail outlet. As a result, if Blayne opens a store in Ottawa, he would need to decide whether to open a second warehouse or outsource warehousing to a third party.

Blayne is uncertain about whether he can properly manage a second warehouse.<sup>93</sup> This is crucial because, if the company does not make timely deliveries, then it will not maintain the level of customer service that it currently offers. At the moment, the warehouse staff are capable of delivering products to customers on short notice and under urgent circumstances.<sup>94</sup> For example, if a customer claims that he or she urgently needs a product, Bad Boy employees will ensure that the product is delivered to the customer as soon as the next day. This forms a component of the firm's competitive advantage in customer service. If Blayne opens a second warehouse, he would likely be able to maintain this level of customer service in Ottawa. Since Bad Boy employees would be responsible for managing the warehouse, Blayne would retain control over inventory and

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<sup>92</sup> B Lastman, discussion, February 10, 2019.

<sup>93</sup> B Lastman, discussion, February 10, 2019.

<sup>94</sup> B Lastman, discussion, February 10, 2019.

deliveries. Consequently, company employees would be able to perform inspections and ensure quality. The new warehouse would need to be 40,000 square feet in order to meet potential future needs, and the cost of rent would be \$5.50 per square foot (Exhibit 17).

Instead of opening a warehouse, Blayne could outsource warehousing to a third party. In this scenario, he would lose control of the company's inventory, passing it off to the third-party provider. This option would cost 25% more per year as Blayne would be paying a premium to outsource the hiring, managing, maintenance and operations of the warehouse.<sup>95</sup> In this scenario, Blayne would experience a loss of control because his employees would not be responsible for transferring products from distributors' trucks into the warehouse, storing products, and transferring products into delivery trucks.<sup>96</sup> The company's current warehousing system minimizes customer service issues through inspections, repairs, and employee oversight. It is not guaranteed that a third-party warehouse would be able to achieve the same level of diligence and customer service.

Although using a third party is expensive and risky from a customer service perspective, this option presents important benefits. First, the company's executive team would leave the third-party provider to deal with any issues associated warehousing. Second, Blayne and his team would be able to focus on the company's physical retail stores, which represents a core source of revenue. Last, the third-party provider would be responsible for dealing with any human resources issues relating to the warehouse, which would give management more time to deal with other priorities.

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<sup>95</sup> B Lastman, discussion, March 19, 2019.

<sup>96</sup> B Lastman, discussion, March 19, 2019.



### *Delivery*

When Bad Boy products are delivered, customer service is incorporated throughout the delivery process. This is crucial to the company's potential success. If Blayne opens a second organic, Ottawa-based warehouse, he would use the company's current owner-operator structure for truck drivers, which would facilitate strong customer service. Conversely, if he outsources warehousing to a third party, he would have the option of continuing to use owner-operators as truck drivers or using the third-party warehouse's delivery resources.

In the event that Blayne uses third-party warehousing with associated owner-operator truck drivers, he would lose control of inventory management but retain control of delivery service. Conversely, if Blayne were to use the third-party's delivery trucks, he may not be able to deliver products urgently, as this would depend on the third-party provider's demands. Also, it is unlikely that the third-party's drivers would provide the same level of customer service as Bad Boy's owner-operator drivers because of the scale of deliveries that derive from third-party warehouses.<sup>97</sup>

### *Human Resources*

Blayne is concerned about hiring new employees in a potential Ottawa store and/or a new warehouse. Since Ottawa is 450 kilometres from Toronto, Blayne is worried that there will be a greater disconnect between the newly hired employees and the firm's executives. Each store in Ottawa would require 30 employees, including managers, salespeople and front desk staff. Also, Blayne would need to hire 15 employees to work

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<sup>97</sup> B Lastman, discussion, March 19, 2019.

in the potential second warehouse.<sup>98</sup> Blayne is considering sending some company executives and employees to the potential Ottawa location and warehouse permanently. However, the other stores and the efficiency of the Toronto warehouse may suffer due to the loss of experienced employees.

### *Investment and Reputational Risk*

If Blayne decides to open a Bad Boy location in Ottawa, this would require a significant financial and human resource investment. He would be legally bound by long-term leases and employment contracts (Exhibit 18). In addition to the investment required, Blayne would be taking a reputational risk. Since the company's customer service is integral to its success, it must be maintained at the same level. The potential opening of a second warehouse or the use of third-party warehousing may compromise this competitive advantage.

### **Long-Term Opportunities**

The central question for Blayne is whether he should open a store in Ottawa. A potential store opening in Ottawa provides long-term opportunities to increase Bad Boy's e-commerce and business-to-business operations.

### *E-Commerce*

In 2014, Bad Boy's executive team launched an e-commerce platform with the intention of capitalizing on e-commerce growth in Canada. E-commerce sales are expected to rise from \$5.4 billion to \$6.7 billion between 2019 and 2024.<sup>99</sup> E-commerce sales are attractive because there are fewer costs associated with revenue due to the lower

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<sup>98</sup> B Lastman, discussion, February 22, 2019.

<sup>99</sup> Bad Boy Furniture, *Confidential Report*, internal document.

rent and human resources expenses. In many cases, the company will not need to warehouse products purchased online, as there is capacity to receive the goods “just-in-time.” When a product is purchased online, the supplier will ship it to the customer directly without any warehousing requirements for Bad Boy. For this reason, a wider selection of products is offered online through thousands of web-only exclusives.<sup>100</sup>

The potential long-term opportunity in e-commerce revenue originating from the Ottawa region informs the decision of whether Blayne should open a new store in Ottawa. Currently, there is zero e-commerce revenue originating from the Ottawa area. A potential Ottawa location would likely boost e-commerce sales. However, for the first time, Blayne is considering whether to create a strategy to increase e-commerce sales in a new market. In the short-term, he is reluctant to devise an e-commerce-based marketing plan because he believes that the company should initially be focusing solely on physical retail business.<sup>101</sup> However, if Blayne opens a store in Ottawa, there is a long-term opportunity to develop e-commerce business once the retail store is well established.

### *Business-to-Business*

The potential expansion into Ottawa presents a possible opportunity for Blayne to expand Bad Boy’s business-to-business operations. Blayne may consider if he should pursue a salesforce in Ottawa to sell appliances to real estate developers. Typically, the company’s business-to-business revenue is generated from selling appliances to new condominium buildings. Blayne must decide whether to pursue an action plan in order to gain market share in this industry. However, consideration must be given to how bulk

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<sup>100</sup> B Lastman, discussion, March 11, 2019.

<sup>101</sup> B Lastman, discussion, March 11, 2019.

sales may disturb the firm's warehousing and delivery operations. Blayne is reluctant to explore this option in the short-term because he is concerned that the executive team will lose focus on the company's physical retail stores. Despite this, Blayne recognizes that it is an attractive option in the future.<sup>102</sup>

## **Conclusion**

As Blayne contemplates whether he should open a retail store in Ottawa, he continuously reminds himself that he is content with the company's present state.<sup>103</sup> Nevertheless, Blayne is excited about the potential Ottawa store because his preferred landlord has a leasing opportunity that is 30,000 square feet and located at a major intersection.

Blayne must determine whether he should open a store in Ottawa within the next month. In order to make a prudent decision, he must weigh the decision-criteria against the opportunities and challenges. The store must be profitable, and it is necessary that the company maintains its competitive advantage in customer service. In order to achieve this, the company's management would need to overcome warehousing, delivery, and human resources challenges. Overall, it must be determined whether this financial and reputational risk is worth the opportunity.

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<sup>102</sup> B Lastman, discussion, March 11, 2019.

<sup>103</sup> B Lastman, discussion, February 10, 2019.

## **EXHIBITS**

EXHIBIT 1: MAP OF BAD BOY'S CURRENT LOCATIONS<sup>104</sup>



<sup>104</sup> Bad Boy, "Find a Store."

## EXHIBIT 2: BAD BOY'S PRODUCT BREAKDOWN<sup>105</sup>

Product Category	% of FY2018 Revenue	Margins	Average Price	Brands	Products
<b>Furniture</b>	50%	50%	\$820	A-Class Ashley Brassex Decor-Rest Donald Choi Global Furniture Kwality Furniture Millennium Furniture Primo Sauder Furniture Sinca Furniture Sofa by Fancy	Sofas Loveseats Sectionals Chairs Sofa Beds Kitchen/Dining Tables Kitchen/Dining Chairs Coffee/End Tables Beds Nightstands Chests Dressers
<b>Mattresses</b>	8%	45%	\$800	Ashley Bassett King Koil	Mattresses Pillows Frames
<b>Appliances</b>	35%	18%	\$767	Amana* Bosch Danby Electrolux Frigidaire GE Appliances KitchenAid* Maytag* Samsung Whirlpool*	Refrigerators Dishwashers Cooktops Microwaves Range Hoods Freezers Washers Dryers Blenders Toasters
<b>Electronics</b>	7%	14%	\$760	LG RCA Samsung Sony	Televisions Television Stands Wall Mounts Sound Bars

\*All owned by Whirlpool Corporation

<sup>105</sup> Bad Boy, "All Products"; B Lastman, discussion, February 22, 2019.

### EXHIBIT 3: INDUSTRY DISTRIBUTION CHANNELS

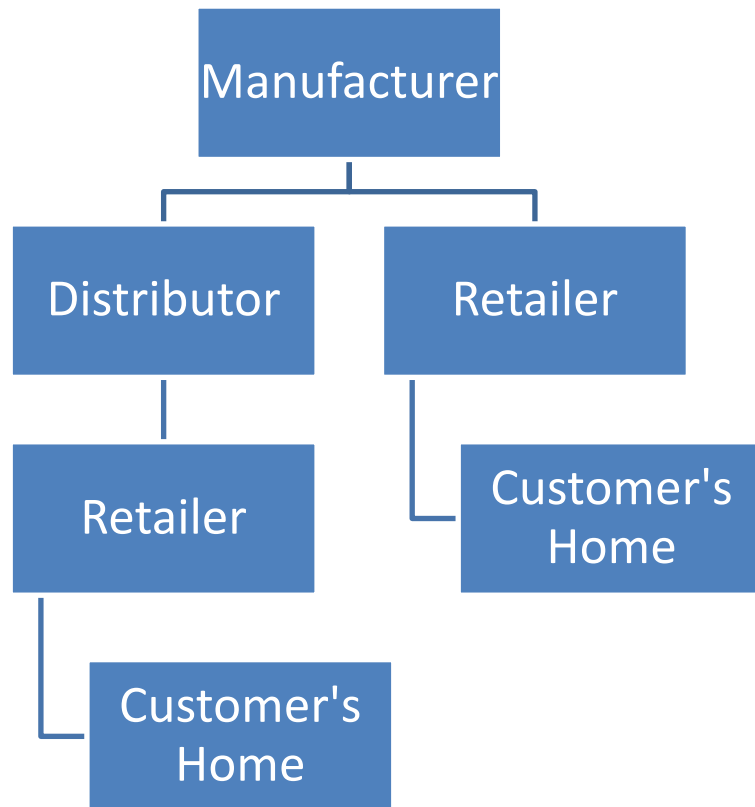
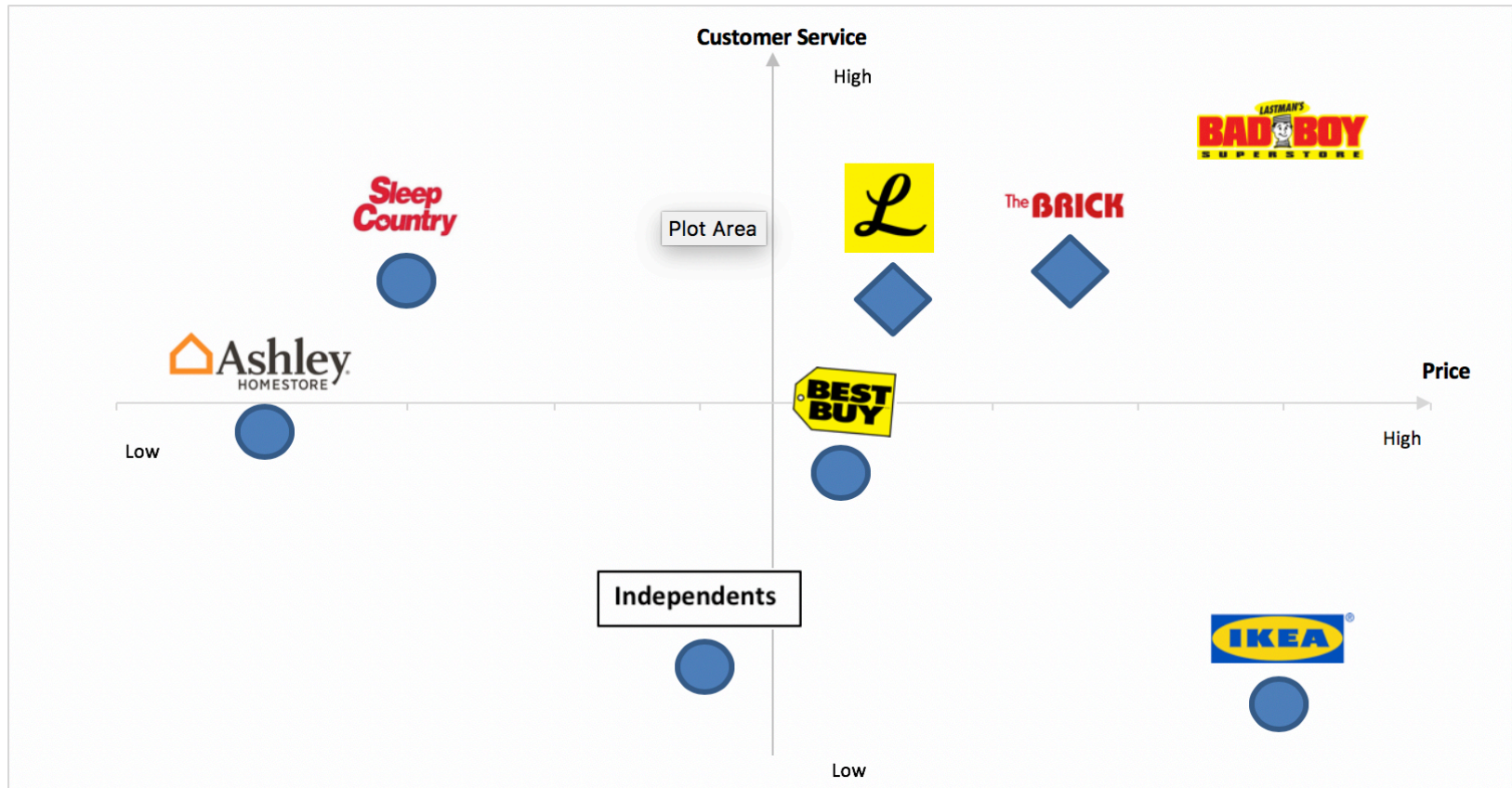


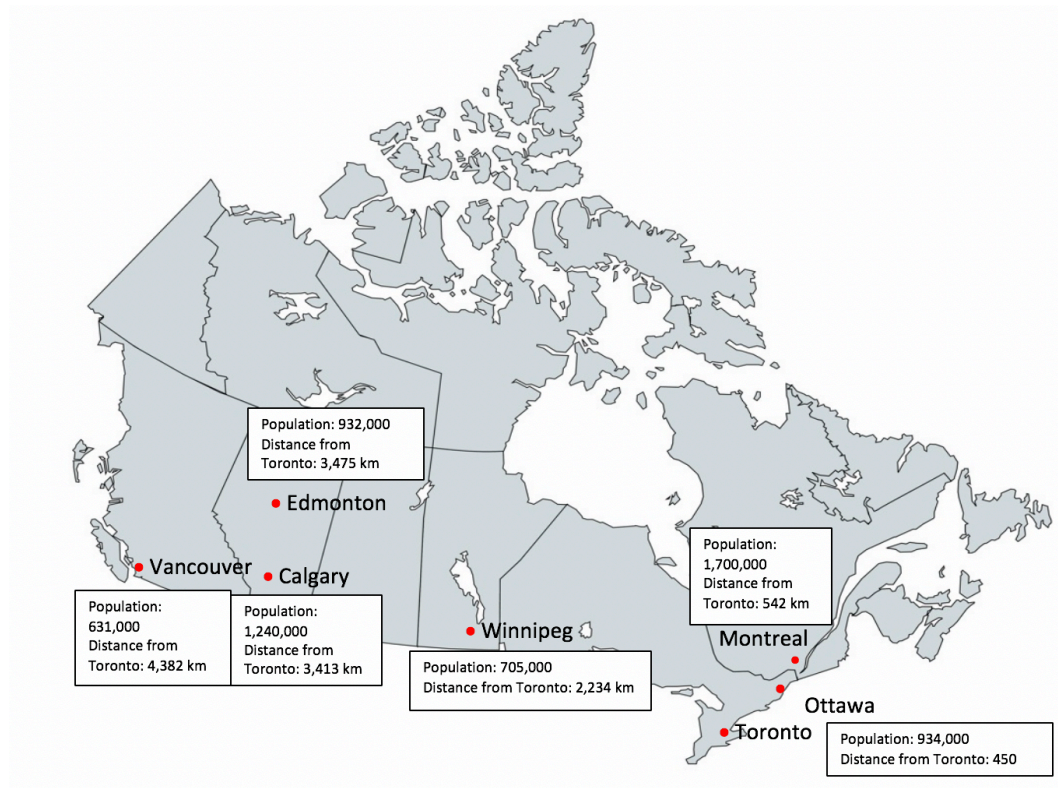


EXHIBIT 4: BAD BOY'S ESTIMATION OF ITS COMPETITORS' POSITIONING



- ◆ = direct competitor
- = indirect competitor

**EXHIBIT 5: MAP OF CANADA WITH MAJOR CITIES  
(POPULATION>600,000)**



## EXHIBIT 6: MAP OF OTTAWA AND SURROUNDING AREA





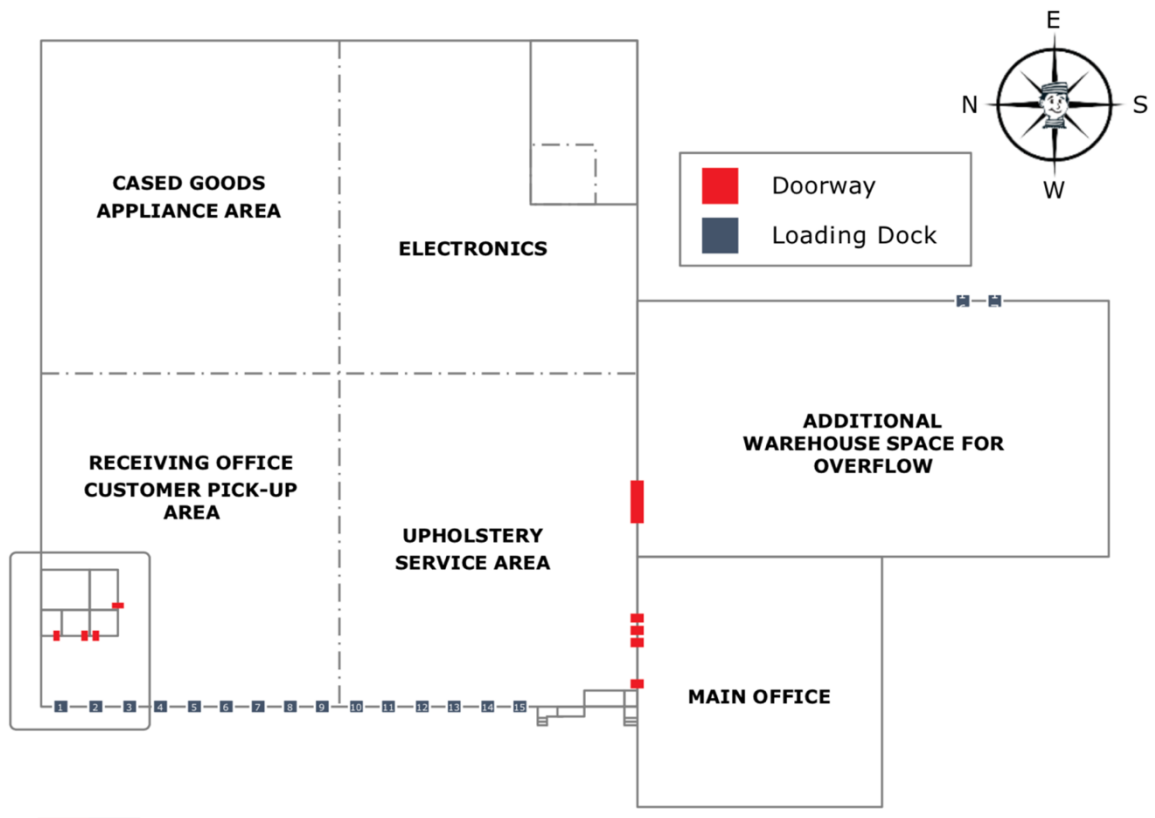
**EXHIBIT 7: MERCHANDISE DISPLAYED AT ONE OF BAD BOY'S RETAIL LOCATIONS**



**EXHIBIT 8: EXTERIOR OF A BAD BOY RETAIL LOCATION**



## EXHIBIT 9: LAYOUT OF BAD BOY'S WAREHOUSE AND HEAD OFFICE





**EXHIBIT 10: WHERE INCOMING DELIVERY TRUCKS ARE OFFLOADED**



## EXHIBIT 11: INSIDE BAD BOY'S WAREHOUSE

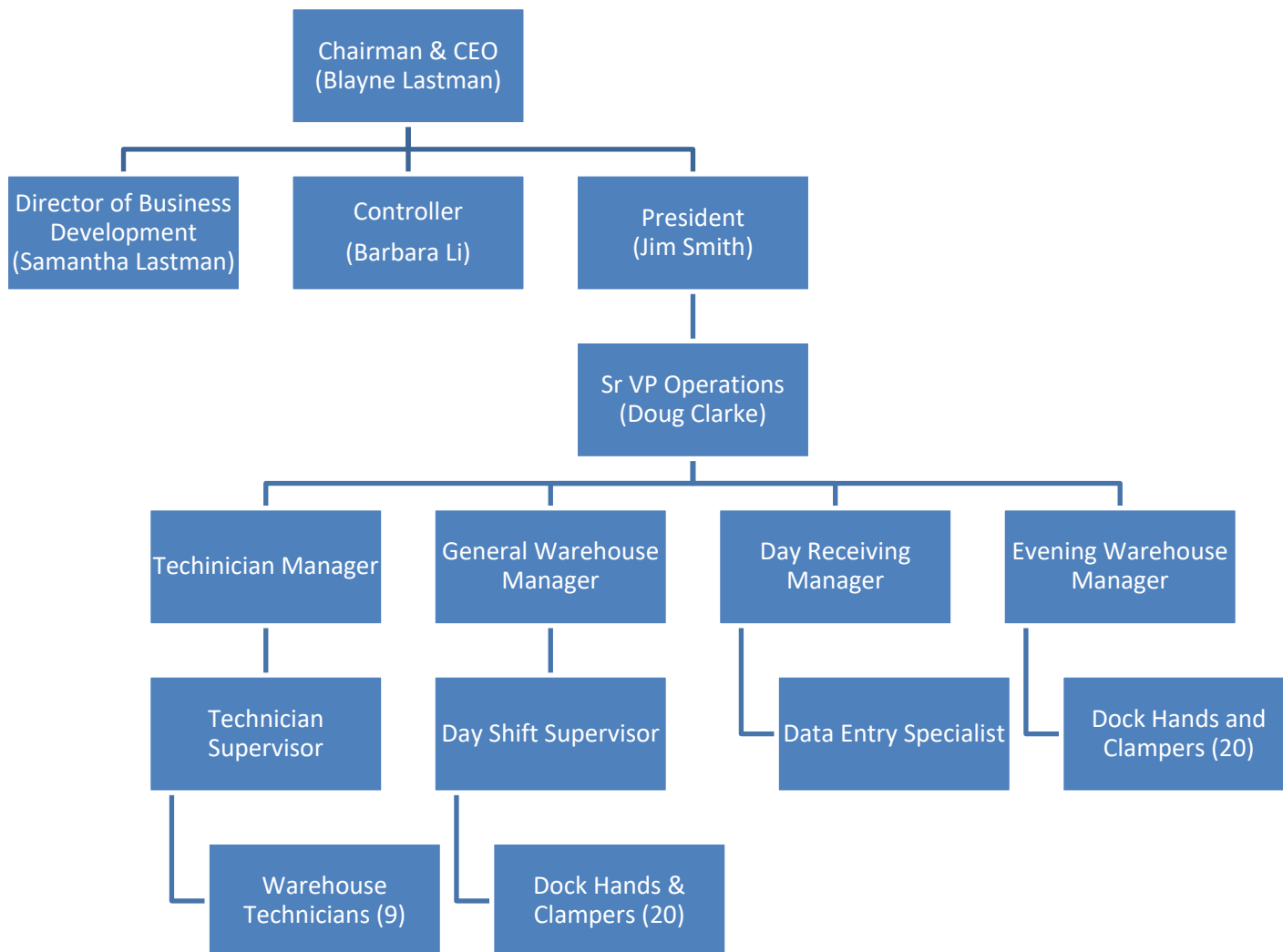




## EXHIBIT 12: WHERE BAD BOY LOADS ITS TRUCKS



### EXHIBIT 13: BAD BOY WAREHOUSE EMPLOYEES ORGANIZATIONAL CHART



**EXHIBIT 14: BAD BOY'S EXISTING RETAIL LOCATIONS<sup>106</sup>**

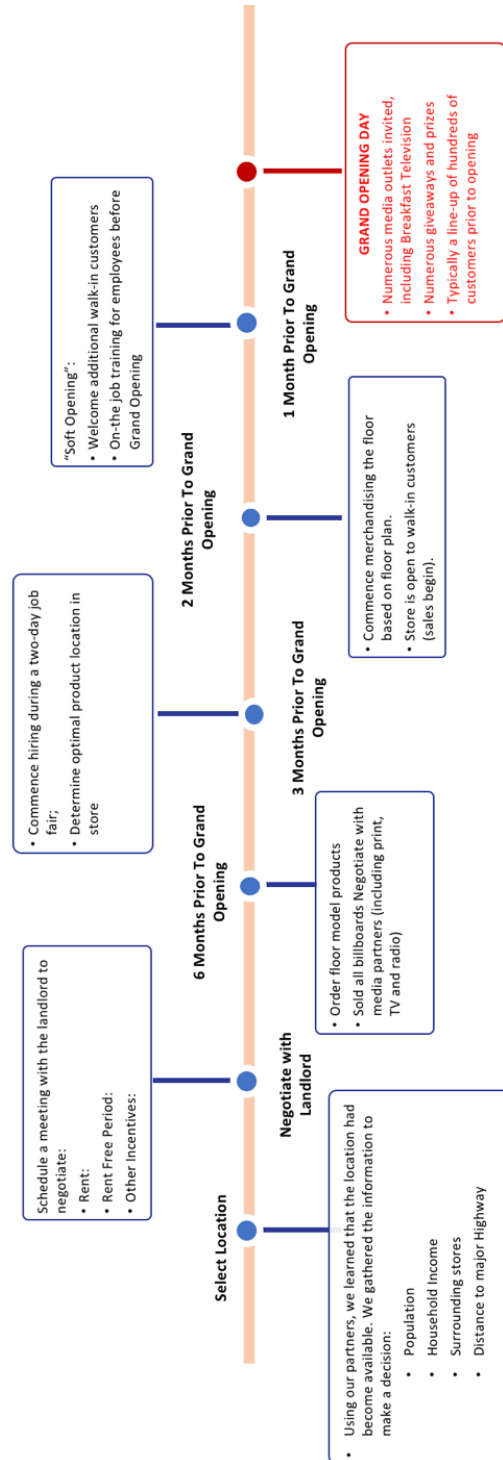
<b>Store</b>	<b>Year Opened</b>	<b>Square Feet</b>	<b># of Employees</b>	<b>Property Type</b>
<b>Scarborough</b>	1991	28,250	33	Strip Plaza*
<b>Mississauga</b>	1992	24,131	16	Strip Plaza
<b>North York</b>	1995	29,025	14	Standalone
<b>Barrie</b>	1998	23,500	15	Strip Plaza
<b>Whitby</b>	1999	27,000	22	Mall
<b>London</b>	2008	32,560	20	Standalone
<b>Kitchener</b>	2008	24,000	19	Strip Plaza*
<b>Burlington</b>	2008	18,943	17	Strip Plaza
<b>Brampton</b>	2012	29,671	17	Mall
<b>Ancaster</b>	2017	30,674	25	Strip Plaza
<b>Kingston</b>	2019	27,973	28	Mall

\*Strip Plaza is anchored by only Bad Boy

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<sup>106</sup> Samantha Lastman, February 16, 2019.

## EXHIBIT 15: BAD BOY'S FORMULA TO OPEN NEW STORES<sup>107</sup>



<sup>107</sup> Bad Boy, *Grand Opening Guide Book*.

**EXHIBIT 16: OTTAWA STORE BASIC FINANCIAL PROJECTIONS (12 MONTHS FOLLOWING STORE OPENING)**

Low Scenario

<b>Revenue</b>	<b>\$12,500,000</b>
<b>Cost of Goods Sold</b>	<b>\$8,015,000</b>
<b>Operating Costs</b>	<b>\$861,120</b>
<b>New Store Costs</b>	<b>\$1,940,000</b>
<b>Profit</b>	<b>\$1,683,880</b>

High Scenario

<b>Revenue</b>	<b>\$15,00,000</b>
<b>Cost of Goods Sold</b>	<b>\$9,618,000</b>
<b>Operating Costs</b>	<b>\$861,120</b>
<b>New Store Costs</b>	<b>\$1,940,000</b>
<b>Profit</b>	<b>\$2,580,880</b>

### EXHIBIT 17: NEW WAREHOUSE COSTS

	<u>Cost</u>	<u>Annual/One-Time</u>
<b>Rent</b>	\$220,000	Annual
<b>Employees (15)</b>	\$550,000	Annual
<b>Insurance</b>	\$12,000	Annual
<b>Electricity</b>	\$42,000	Annual
<b>Hydro</b>	\$22,000	Annual
<b>Equipment</b>	\$100,000	One-Time
<b>Racking</b>	\$65,000	One-Time

### EXHIBIT 18: POTENTIAL OTTAWA STORE LOCATION COSTS (PER STORE)

	<u>Cost</u>	<u>Annual/One-Time</u>
<b>Rent</b>	\$550,000	Annual
<b>Employees (30)</b>	\$1,300,000	Annual
<b>Insurance</b>	\$10,000	Annual
<b>Electricity</b>	\$65,000	Annual
<b>Hydro</b>	\$15,000	Annual
<b>Marketing</b>	\$500,000	One-Time

### **CHAPTER 3 – TEACHING NOTE (BAD BOY: OPPORTUNITY TO OPEN A RETAIL LOCATION IN OTTAWA)**

#### **Synopsis**

In July of 2019, Blayne Lastman, the Chairman and CEO of Bad Boy, was getting ready to open the company's eleventh retail store, which is located in Kingston, Ontario. The upcoming Kingston opening has prompted Blayne to consider opening another store in Ottawa, Ontario. Ottawa would be the largest market that the company has entered since its inception in Toronto in 1991. If Blayne decides to open a store in Ottawa, he must determine if he should open a second warehouse in Ottawa or if he should use third-party warehousing. If he uses third-party warehousing, then Blayne must decide whether to use owner-operator truck drivers or third-party truck drivers. The decision to open a store in Ottawa must be made within the next month.

Bad Boy is a discount retailer that sells furniture, mattresses, appliances and electronics. In the case, a general overview of the industry's distribution channels is provided. Typically, products sold in this industry are manufactured in Canada, the United States, or Asia. When products are manufactured in Canada or the United States, they are sold directly to retailers in Canada and the United States. On the other hand, when products are manufactured in Asia, they are first sold to distributors in Canada and the United States, who then sell the products to retailers.

Retailers in the industry purchase furniture at tradeshow. They purchase appliances and electronics at tradeshow and by making appointments with distributors. As an example, the case provides details about how the High Point furniture tradeshow in North Carolina operates. Once the products are purchased, they are displayed in retailers'

stores and sold to customers. Products that are not displayed in-store are stored in warehouses that are owned by retailers or by a third party.

When a customer purchases a product from a retailer, the retailer will deliver the merchandise to the customer's home. Typically, products are delivered by truck drivers employed by the retailer or owner-operator truck drivers. Although owner-operator truck drivers are more expensive than employee truck drivers, they provide stronger customer service.

In the case, a general overview of the discount furniture industry is provided. The case also provides a detailed analysis of Bad Boy's direct and indirect competitors. Ottawa's demographics, as well as its economic and competitive landscape are also described.

Bad Boy is competitive in the area of customer service. The company's warehousing and delivery operations assist in maintaining this competitive advantage. Bad Boy's warehouse is periodically inspected by its employees in order to ensure quality control. Also, the company uses owner-operated truck drivers to deliver merchandise to customer's home in order to ensure strong customer service.

Whenever Blayne contemplates opening a new Bad Boy store, the following criteria are taken into consideration: demographics, leasing space, and profitability.

If Blayne were to expand into Ottawa, this would require greater warehousing needs. This is because the company's sole Toronto warehouse is far from Ottawa. Therefore, Blayne would need to open a second warehouse or outsource warehousing to a



third party. If Blayne were to outsource to a third party, he would also need to decide whether to use owner-operator truck driver or third-party truck drivers.

The reader of the case is prompted to consider whether Blayne should open a second warehouse or use a third party. If the reader decides in favour of a third party, then he or she must also decide whether Blayne should use owner-operator truck drivers or third-party truck drivers.

If Blayne were to expand into Ottawa, he would also have to address concerns relating to human resources. This is because it would be difficult for the company's management to properly and efficiently manage employees in Ottawa from Toronto.

If Blayne were to expand into Ottawa, the company would benefit from e-commerce and business-to-business sales in the long term. However, the expansion into Ottawa would be expensive.

### **Case Analysis**

The central question of the case is: should Blayne open a Bad Boy retail location in Ottawa?

#### *What are Management's New Store Opening Criteria?*

Bad Boy's management considers three criteria when determining whether to open a new store:

1. Target Market;
2. Leasing space; and
3. Profitability

Ottawa is the only feasible market in Canada in which to enter. This is because of the language and cultural barriers present in Montreal, as well as the distance of Winnipeg, Edmonton, Calgary and Vancouver from the Bad Boy headquarters in Toronto. The distance between these respective cities and the company's headquarters poses a risk that management will potentially lose control of its operations.

The demographics of Ottawa meet management's decision criteria. Typically, Bad Boy expands into big cities that have 100,000 potential consumers or more. Ottawa's population is 934,000, not including Gatineau and Kanata, which border Ottawa. However, the size of this opportunity poses new challenges, such as how to warehouse and distribute merchandise to customers. This will be discussed in greater detail below.

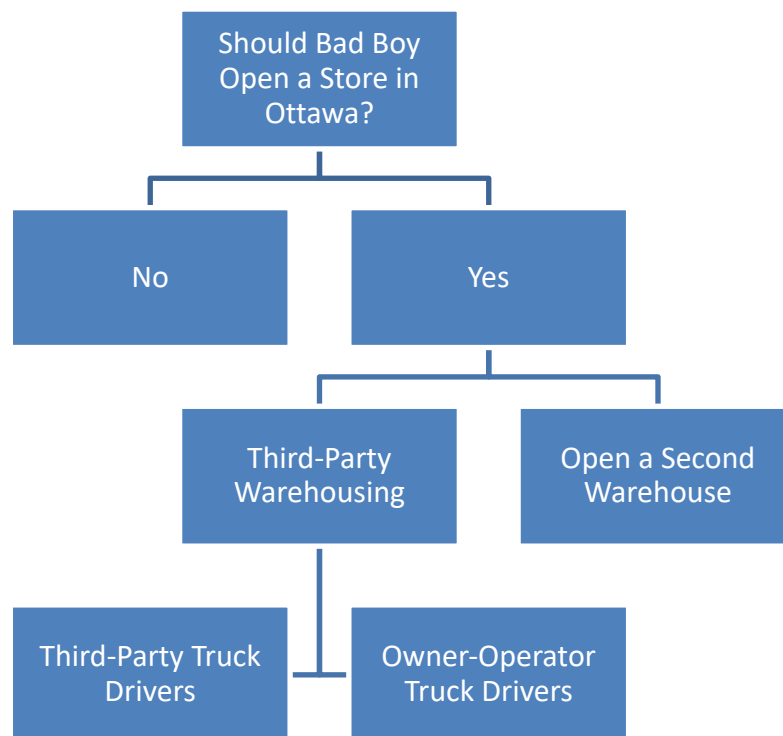
The case confirms that the leasing space currently available in Ottawa meets management's decision criteria. In order to meet the decision criteria, the leasing space must be between 18,000 and 32,000 square feet, it must be located at a major intersection, and it must be owned by a landlord that Blayne has a longstanding relationship with. Blayne's preferred landlord has a leasing opportunity that is 30,000 square feet and located at a major intersection. As a result, the leasing space meets his criteria.

Profitability is the most important criterion. Exhibit 18 provides an estimate cost of opening a new store in Ottawa. This includes rent, employees, insurance, electricity and hydro. It also includes a one-time marketing expense. This number reflects increased promotional activities during the first year of operations in a new market.

Exhibit 16 provides financial projections for the new store in Ottawa. The new store is projected to generate a revenue of \$12,500,000 to \$15,000,000 in its first year of operations. If Bad Boy's revenue is on the low end of the range, it will profit \$1,683,880. If Bad Boy's revenue is on the high end of the range, it will profit \$2,580,880. These amounts do not account for warehousing and distribution costs, nor do they account for the one-time marketing expense of \$500,000.

#### *What Are the Options?*

The central question is whether Blayne should open a retail location in Ottawa. If this question is answered affirmatively, then he must determine whether to open a second warehouse or use third-party warehousing. If Blayne decides to use third-party warehousing, then he must determine whether to use third-party truck drivers or owner-operator truck drivers.



The Options Are:

1. Do not open a store
2. Open a store and open a second warehouse
3. Open a store, use third-party warehousing, use third-party truck drivers
4. Open a store, use third-party warehousing, use owner-operator truck drivers

### **Factors that Inform the Options**

#### *Human Resources*

Blayne is reluctant to open a new store in Ottawa. This is largely because of human resources concerns. The company's management currently spends a large amount of time dealing with human resources issues. Opening a new store in Ottawa would require new employees to be hired. This would add to Blayne's work load in terms of dealing with employee-related problems.

The four options outlined above, aside from Option 1, require hiring new employees. Option 2 (open a store and open a second warehouse) requires new store and warehouse employees. Option 3 (open a store, use third-party warehousing, use third-party trucks) requires new store employees. Option 4 (open a store, use third-party warehousing, use owner-operated trucks) requires new store employees.

**Table 1. Human Resources Impact on Options**

<b>Option</b>	<b>Type of Employees to Hire</b>	<b>Number of Employees to Hire</b>
<b>1</b>	None	0
<b>2</b>	Store Employees + Warehouse Employees	45
<b>3</b>	Store Employees	30
<b>4</b>	Store Employees	30

*E-Commerce Growth*

Blayne is contemplating implementing an e-commerce growth strategy in Ottawa. This is because the company's e-commerce sales are growing faster than sales in any physical Bad Boy store. E-commerce sales are attractive because, as there are less expenses associated with them (no physical store, less employees necessary, etc.), e-commerce sales earn more profit than physical retail sales. Despite this, Bad Boy's brick and mortar stores remain part of the company's core business strategy.

The potential e-commerce revenue originating from Ottawa is a factor to consider when determining whether to open a new store there. The financial projections provided in Exhibit 16 do not take e-commerce revenue into account. One can expect that the projections would be higher if e-commerce was considered. Even if Bad Boy does not pursue an e-commerce marketing campaign in Ottawa, it will still generate e-commerce revenue simply by being present in Ottawa. This weighs in favour of opening a new Bad Boy store in Ottawa.

### *Business-to-Business Operations*

Bad Boy generates revenue from supplying appliances to real estate owners and developers. This is expected to make up 15% of the company's revenue in FY2019. Bad Boy's clients are institutional companies and smaller private companies. Blayne intends to contact his clients to determine if there are opportunities in Ottawa. In addition, it is an option for Blayne to employ a salesforce that is dedicated to establishing Bad Boy's presence in this market.

Over the next year, it would not be wise for Blayne to reach out to his existing clients or to employ a salesforce. This is because these transactions involve sales to hundreds of units, which has the capacity to overwhelm the company's second warehouse or third-party warehousing option. If Bad Boy were to supply a building with appliances, its new warehouse or the third-party warehousing company may not be able to handle the additional distribution. If this happens, the client will likely not use Bad Boy as a supplier again. Furthermore, the real estate community is close-knit, and this failure might affect long-term business-to-business operations in Ottawa. Therefore, it is recommended that Blayne waits twelve months to reassess whether the warehouse or third-party warehouse can handle the additional and sporadic warehousing and deliveries. While Bad Boy's business-to-business potential is neutral in the short-term, there is potential in the long-term. This mildly weighs in favour of opening a store in Ottawa.

## Analysis of Options

The analysis of the options is informed by a cost-benefit analysis. A cost-benefit analysis involves weighing the strengths and weaknesses of options.<sup>108</sup> There are three decisions for Blayne to make: (1) whether to open a new store; (2) whether to open a second warehouse or use third-party warehousing; and (3) whether to use owner-operator truck drivers or third-party truck drivers. At each stage, the costs must be weighed against the benefits of the decision. The costs are financial risk and human resources considerations, whereas the benefits are profitability and whether Bad Boy can maintain its competitive advantage in customer service. While customer service includes more than delivery, the company's executives have focused on the delivery aspect of customer service as a competitive advantage.

### *Open a Store?*

It is recommended that Blayne opens a store in Ottawa. Therefore, Option 1 should be eliminated. The demographics and leasing space are ideal. The population of Ottawa is 934,000 and the surrounding area is 394,000. When entering a new market, the size of the population is an important criterion to consider. Ottawa would be the biggest market that Bad Boy has entered since its inception in 1991. Further, the leasing space in Ottawa meets Blayne's criteria, as it is 30,000 square feet, located at a major intersection and owned by Blayne's preferred landlord.

The Ottawa opportunity is attractive because it allows Blayne to potentially open more stores in the region in the future. If the Ottawa store is successful, Blayne would

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<sup>108</sup> Euston Quah and EJ Mishan, *Cost-Benefit Analysis*, 5<sup>th</sup> ed. (London: Routledge, 2007), 1-5.

have the option of opening a store in Kanata. In addition, Bad Boy's e-commerce sales and business-to-business operations will benefit the company in the long term.

The financial projections in Exhibit 16 demonstrate that the potential Ottawa location will generate profits of \$1,683,880 in the low scenario and \$2,580,880 in the high scenario. This shows that the store will be profitable, but it does not contemplate costs associated with opening a second warehouse or using third-party warehousing. This also does not contemplate the one-time \$500,000 marketing investment. In the low scenario, this will be paid back in less than one year.

If Blayne does not open a store in Ottawa, then he will not need to hire any employees and human resources will not be an issue. However, this would amount to a missed opportunity.

#### *Second Warehouse or Third-Party Warehousing*

It is recommended that Blayne uses third-party warehousing. However, either option is satisfactory. If Blayne opens a warehouse, he will need to hire 15 employees. Blayne is concerned about managing a warehouse, considering the company's headquarters are in Toronto. If Blayne opens a warehouse, he would send key personnel to the second warehouse which would have the potential of reducing the efficiency at Bad Boy's current warehouse. Using third-party warehousing would allow Blayne and other Bad Boy executives to focus on the company's retail strategy, as opposed to further managing human resources problems.

There are two drawbacks to using third-party warehousing. First, Blayne will not be able to control the company's quality to the same extent. Bad Boy's competitive



advantage is in customer service. However, this is not derived from the company's in-house inspections, but from its truck delivery operations. While there is a risk that quality control will decrease, it likely will not because the third-party warehousing employees will have quality controls of their own. While this is not a 'guarantee', Blayne should ensure that the employees perform the same level of quality inspections as Bad Boy employees. Second, this option is more expensive. This will cost 25% more per year than opening a second warehouse. When the annual expenses are totaled in Exhibit 17, it will cost \$846,000 to operate a warehouse. When 25% is added, it will cost \$1,057,500 per year to use third-party warehousing. In other words, Bad Boy will be profitable in its first year, as its low scenario of projected profits are above this figure.

#### *Third-Party Trucks or Owner-Operator Trucks*

It is recommended that Blayne uses owner-operator truck drivers to deliver merchandise from the third-party warehouse to customers' homes. Bad Boy's customer service is one of the company's competitive advantages. A significant component of this is the manner in which Bad Boy delivers merchandise to customers. The company's executives instruct the truck drivers to focus on customer service. Therefore, Blayne would risk compromising the company's competitive advantage if he were to use third-party truck drivers. While Blayne will need to pay a premium to use owner-operator truck drivers, it is necessary to ensure that Bad Boy maintains its competitive advantage.

## Analyze the Macro Environment

It is vital that companies understand the macro environment in which they operate.<sup>109</sup> The PEST analysis is a strategic framework that allows a company to perform an external analysis. The PEST analysis enables a company to understand any opportunities or threats that are outside of its control. The PEST analysis consists of four components: Political, Economic, Social and Technological analyses.<sup>110</sup>

When applying the PEST analysis to Bad Boy, there are political considerations that relate to the company's potential expansion into Ottawa. Due to Ottawa's close proximity to Quebec, the region is highly politically charged considering the political volatility in Quebec and the continually percolating separatist movement. This results in economic volatility that manifests itself in income and real estate instability.

The economic landscape in Ottawa is strong. Ottawa's unemployment rate is 5.2%, which is lower than Ontario's unemployment rate of 5.6%. When considering the economy, retailers across the globe are being forced into bankruptcy. This is because physical retailers are not able to provide the convenience and selection of online retailers. Fortunately for Bad Boy, the furniture sector is not adversely affected by this because consumers feel the need to 'test out' furniture and mattresses before purchasing them.

The social trend for consumers is that they are increasingly buying goods online. Consumers are not as inclined to leave their homes to go shopping.

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<sup>109</sup> Abhishek Gupta, "Environment & PEST Analysis: An Approach to External Business Environment," *International Journal of Modern Social Sciences* 2, no. 1 (2013): 34.

<sup>110</sup> Gupta, "Environment & PEST Analysis."

Consumers are increasingly shopping online due to technological breakthroughs. Bad Boy executives are fearful that online retailers, such as Amazon and Wayfair, may be able to penetrate the furniture industry, which would substantially affect the retail furniture industry. While Bad Boy has a strong e-commerce platform, it would not be able to compete with Amazon and Wayfair due to their technological expertise and dominance in the e-commerce market. However, e-commerce platforms need to address consumers' concerns with 'testing out' furniture and mattresses.

Therefore, the PEST analysis highlights that while the economic considerations are favourable, the political, social and technological considerations pose a threat to furniture retailers.

### **Analyze the Competitive Landscape Using Porter's 5 Forces**

In 1979, Michael Porter established five competitive forces that shape strategy and help us to understand competition within an industry.<sup>111</sup> Today, this is commonly known as Porter's Five Forces. Porter's Five Forces is a tool to analyze competition and determine the attractiveness of an industry in terms of profitability.<sup>112</sup> The five forces are: threat of new entrants, threat of substitutes, bargaining power of customers, bargaining power of suppliers and competitive rivalry.<sup>113</sup>

Threat of new entrants refers to how easy it is for a company to enter a given industry.<sup>114</sup> If the threat of new entrants is high, new companies are able to capture market share, which requires existing companies to provide investment in order to stay

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<sup>111</sup> Michael Porter, "How Competitive Forces Shape Strategy," *Harvard Business Review* (1979): 24.

<sup>112</sup> Porter, "How Competitive Forces Shape Strategy."

<sup>113</sup> Porter, "How Competitive Forces Shape Strategy."

<sup>114</sup> Porter, "How Competitive Forces Shape Strategy."

competitive.<sup>115</sup> In the furniture industry, the threat of new entrants is high because of the costs associated with buying and storing physically large inventory. Also, economies of scale are integral in this industry, as they allow retailers to sell merchandise at low prices and have the requisite distribution network. Lastly, there is a specialized knowledge required, as new entrants may not understand the ways in which the discount furniture industry operates.

Substitutes lure customers away from a company or industry, which lowers the profitability of companies competing in the market.<sup>116</sup> Bad Boy's products may be substituted for used furniture from family and friends or second-hand sales from retailers. Substitutes do not pose a significant threat to the company because its competitive advantage is customer service, which is difficult for substitutes to replicate.

The bargaining power of customers can force down prices, as customers may pin rivals against one another.<sup>117</sup> In the discount furniture industry, customers have a significant amount of bargaining power. Retailers like Leon's, The Brick and Bad Boy compete on price, as price an important criterion for consumers. Since the products sold may be the third biggest purchase in consumers' lives after a house and a car, they are concerned with receiving the best deal possible. Consumers travel from retailer to retailer to compare prices. In addition, customers at Bad Boy bargain prices in almost every instance. The bargaining power of customers in this industry has lowered profits.

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<sup>115</sup> Porter, "How Competitive Forces Shape Strategy."

<sup>116</sup> Porter, "How Competitive Forces Shape Strategy."

<sup>117</sup> Porter, "How Competitive Forces Shape Strategy."

The bargaining power of suppliers constrains profits.<sup>118</sup> If suppliers have a significant amount of bargaining power, then they can charge higher prices, thereby limiting a company's bottom line.<sup>119</sup> When assessing Bad Boy's bargaining power relative to its suppliers, it has a significant amount of bargaining power as compared to furniture and mattress suppliers, but it has a limited amount of bargaining power as compared to appliance and electronics suppliers. Bad Boy has over 30 furniture suppliers and customers generally do not base their purchasing decision on brand. While customers consider the brand of the mattress they purchase, it is not a determinative factor. Consequently, Bad Boy is not reliant on any furniture or mattress supplier and has the majority of the bargaining power. Conversely, there are a limited number of appliance and electronics suppliers, which has allowed suppliers to regulate prices. The appliance and electronics supplier markets, respectively, are consolidated. This has resulted in Bad Boy having little bargaining power as compared to appliance and electronics suppliers. When considering that the majority of the company's sales are derived from furniture and mattresses, coupled with the fact they are more profitable products, it appears to ultimately have more bargaining power than suppliers.

When considering competitive rivalry, Porter cites the intensity of competitive pricing as the most important factor.<sup>120</sup> Leon's, The Brick and Bad Boy compete on price, as consumers spend a large amount of time and effort making purchases of this magnitude. However, since there are high barriers to enter this industry, the competitive

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<sup>118</sup> Porter, "How Competitive Forces Shape Strategy."

<sup>119</sup> Porter, "How Competitive Forces Shape Strategy."

<sup>120</sup> Porter, "How Competitive Forces Shape Strategy."

rivalry has not depleted profits. While competition is intense, this industry has remained profitable.

The profitability of this industry has remained strong because of the high barriers to entry and the bargaining power that retailers possess as compared to furniture and mattress suppliers. However, market forces such as the bargaining power of customers and appliance/electronics suppliers pose a concern for the industry.

### **Who are Bad Boy's Current and Potential Competitors? What are Their Strengths and Weaknesses?**

In order for a company to successfully compete in the marketplace, it must be able to identify its competitors, both direct and indirect. Once a company identifies its competitors, it can compare and contrast its own strengths and weaknesses against its competitors, thereby allowing itself to properly understand its positioning.

Bad Boy has two direct competitors: Leon's and The Brick. Leon's purchased The Brick in 2012, but the companies operate in silos. Their primary strength is their financial position, as they had over \$2.2 billion in sales in 2018 and over \$40 million in cash. This has allowed them to benefit from economies of scale and has given them an increased amount of bargaining power with suppliers. On the other hand, one of their weaknesses is the fact that they are a publicly-traded company. Since they have to answer to shareholders and other interested parties, Leon's and the Brick cannot freely make decisions. In other words, there is far more bureaucracy and 'red tape'. Also, they may be viewed as the corporate giant in Canada, which allows regional companies to demonstrate small-town, familial values.

Bad Boy indirectly competes with companies that sell some, but not all of its products. In the furniture sector, Bad Boy indirectly competes with Ashley HomeStore (“Ashley”) and Ikea. Ashley is financially resourceful and manufactures its own furniture. This has given them a competitive advantage, as they do not need to bargain with, or rely on, suppliers. Ikea is also financially resourceful. Merchandise purchased at Ikea must be assembled by the purchaser, which may be time-consuming and frustrating. Bad Boy indirectly competes with Sleep Country, which is a financially resourceful mattress company. Sleep Country differentiates itself based on service but has a limited product offering. Moreover, Best Buy is a financially resourceful company that sells appliances and a wide range of electronics. Best Buy benefits from economics of scale and knowledgeable employees. However, many of Best Buy’s products are electronics that have built-in obsolescence. This means that these products become obsolete (i.e., unfashionable or no longer functional) after a certain period of time. Lastly, Bad Boy competes with independents in each of its markets. Independents generally have less selection and higher prices, but they may provide increased customer service and specialty products.

**Table 2. Bad Boy's Competitors' Strengths and Weaknesses**

<b>Competitor</b>	<b>Type</b>	<b>Strengths</b>	<b>Weaknesses</b>
Leon's and The Brick	Direct	Financially Resourceful Economies of Scale Increased Bargaining Power	Lack of Flexibility Corporate Giant
Ashley	Indirect	Financially Resourceful Manufactures Furniture	Limited Selection
Ikea	Indirect	Financially Resourceful Brand Loyal Customers	At-Home Assembly
Sleep Country	Indirect	Financially Resourceful Strong Customer Service	Limited Selection
Best Buy	Indirect	Financially Resourceful Economies of Scale Knowledgeable Staff	Built-In Obsolescence
Independents	Indirect	Strong Customer Service Specialty Products	Limited Selection Expensive

*What are Bad Boy's Strengths and Weaknesses?*

Bad Boy's customer service is a core strength of the company. For Bad Boy, customer service can manifest itself in many ways. The company provides strong customer service while the customer is in the store and after the customer receives his or her merchandise (if there is an issue). The company's most significant display of customer service is upon delivery of the merchandise to the customer's home. Bad Boy's



owner-operator truck drivers deliver undamaged merchandise on time. If necessary, the drivers will remove doors to get furniture inside and will assemble products for customers. They also remove any disposal that has resulted from the delivery, including an old refrigerator or sofa.

Since Bad Boy's competitors are financially resourceful, the company has relative financial restraints. This means that it may not have the same economies of scale or bargaining power with suppliers. Further, Bad Boy is a regional company and its competitors all have national or international operations. The implication of this is that the company's competitors have established operations in geographical locations that it would potentially enter, which gives its competitors greater brand recognition and brand loyal customers in potential new markets, including Ottawa.

**Table 3. Bad Boy's Strengths and Weaknesses**

Strengths	Weaknesses
Customer Service  Owner-operator Truck Drivers  Marketing	Financial Restraints  Bargaining Power with Suppliers  Regional Company

*Compare Bad Boy's Strengths and Weaknesses to its Competitors*

Bad Boy's competitors are financially resourceful, while Bad Boy is a solely owned private corporation. While the company is financially stable, it does not have the same resources as its competitors. This has resulted in its competitors benefitting from economies of scale and increased bargaining power as compared to suppliers.

Bad Boy competes in markets that are consolidated, as its competitors, direct and indirect, are leaders of their industry. Therefore, Bad Boy has developed a niche in customer service. The company's customers feel as if they are purchasing from the 'local' option, as its competitors are, for the most part, multi-billion-dollar corporations.

Bad Boy's most significant competitive advantage is its customer service. The company provides customer service as soon as the customer enters a store. However, the company's customer service is also displayed when its owner-operator truck drivers make deliveries. Since Bad Boy uses truck drivers that are self-employed, they are incentivized by commission and disincentivized by damaging goods or customers' homes. This allows the truck drivers to deliver strong customer service. Delivery is the customer's last interaction with the company, so the customer's final image of Bad Boy is a demonstration of customer service. Bad Boy's competitors are unable to display this level of customer service because their operations are too large. For example, it would be difficult for Leon's and The Brick to compete with Bad Boy's customer service considering they have \$2.2 billion of merchandise deliveries. This has allowed Bad Boy to develop a competitive advantage.

While Bad Boy's competitors have superior financial resources and more bargaining power with suppliers, the company has maintained its competitive advantage by leveraging its expertise in customer service. Bad Boy has used its strengths to remain competitive in this consolidated marketplace.

### **What are the Key Factors Involved in Bad Boy's Marketing Mix?**

E. Jerome McCarthy classified various marketing activities into four broad categories, which are commonly known as the four P's.<sup>121</sup> The four P's include Product, Price, Promotion and Place.<sup>122</sup> The purpose of McCarthy's classification system is to organize a company's marketing activities. According to Kotler, the marketing mix is the "set of marketing tools that [a company] uses to pursue its marketing objectives."<sup>123</sup>

When analyzing Product, the company must focus on quality, branding, selection, and sizes.<sup>124</sup> Bad Boy's consumers require a threshold amount of quality. While appliances and electronics must function properly, mattresses and furniture must also be of sufficient quality. In order to ensure this, the company's buyers must purchase goods from reputable manufacturers and/or distributors. For appliances and electronics, the brand name is crucial to the customer, as it guarantees quality. Conversely, the brand name for furniture and mattresses does not largely affect the customer's purchasing decisions, but it assists Bad Boy in guaranteeing a certain level of quality for its customer. There is ample selection displayed in Bad Boy stores, and thousands of web-only exclusives are provided. When considering selection in this industry, a retailer must offer different sizes of each product depending on the customers wants or physical limitations. For example, if a customer wants a king size mattress, as opposed to if a customer can only fit a 40" television in his or her home.

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<sup>121</sup> Philip Kotler, Kevin Lane Keller, Subramanian Sivaramakrishnan and Peggy H. Cunningham, *Marketing Management*, 14<sup>th</sup> ed, (Toronto: Pearson Canada Inc., 2013), 23.

<sup>122</sup> Kotler, Keller, Sivaramakrishnan and Cunningham, *Marketing Management*, 14<sup>th</sup> ed.

<sup>123</sup> Philip Kotler, *Marketing Management*, (Millennium Edition), Custom Edition for University of Phoenix, (Boston: Pearson Custom Publishing., 2002), 9.

<sup>124</sup> Kotler, *Marketing Management* (Millennium Edition).

Price is an imperative part of Bad Boy's marketing mix, as it competes in the discount furniture space. Bad Boy provides an MSRP price and then invariably discounts. Since the company's products represent a significant purchase for its customers, it is industry practice to extend credit terms. While some competitors like Leon's extend their own credit terms, Bad Boy uses a third-party bank. This means that the company does not have the capacity to approve credit terms and is reliant on that third-party bank. If a company extends credit internally, this represents a profit opportunity.

Bad Boy's Promotions are one of the company's core strengths. This involves Bad Boy's advertising, specifically its television commercials.

Place is a crucial aspect of the company's operations and it has formed its competitive advantage in customer service. Bad Boy currently has one warehouse facility that services all of its customers. This warehouse is 89,000 square feet. The company's delivery truck drivers are owner-operators, which has allowed them to out-perform its competition. The drivers own their trucks and are paid a premium. The drivers are paid on commission but are responsible for any damage caused to merchandise or the customer's home. This has allowed Bad Boy to differentiate itself based on customer service. Place activities are the reason that Bad Boy can maintain its competitive advantage in providing strong customer service upon delivery.

### **What is Bad Boy's Customer Service Strategy?**

Levy and Weitz (2008) explain that in order to develop a sustainable customer service approach, retailers either use the personalized approach or the standardized

approach.<sup>125</sup> The personalized approach relies on the performance of sales associates and delivery services, while the standardized approach relies on policy and procedures.<sup>126</sup>

Bad Boy's customer service strategy is personalized. A component of the company's personalized approach is the tailoring of its service to each customer's needs.<sup>127</sup> Bad Boy accomplishes this through a flexible delivery service program. Bad Boy meets the needs of its customers under urgent circumstances.

The personalized approach results in superior customer service satisfaction.<sup>128</sup> The personalized approach is also apparent when the company's truck drivers deliver goods. Once a truck driver is at the house, the driver assembles the product and places it wherever the customer desires. The truck driver will also dispose of any garbage and will exceed customers' expectations.

In the discount furniture retail industry, it is difficult to personalize customer service. Nevertheless, due to Bad Boy's size as a regional competitor, it has developed a "personalized" customer service strategy relative to the industry.

### **Provide a Strategic Retail Planning Process**

According to Levy and Weitz (2008), a company must develop a Strategic Retail Planning Process in order to properly expand its retail operations.<sup>129</sup> This process involves seven steps:

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<sup>125</sup> Michael Levy and Barton Weitz, *Retailing Management*, (Toronto: McGraw-Hill Education, 2008), 541.

<sup>126</sup> Levy and Weitz, *Retailing Management*, 541.

<sup>127</sup> Levy and Weitz, *Retailing Management*, 541.

<sup>128</sup> Levy and Weitz, *Retailing Management*, 153.

<sup>129</sup> Levy and Weitz, *Retailing Management*.

1. Define the business mission;
2. Market attractiveness analysis, competitor analysis and self-analysis;
3. Identify strategic opportunities;
4. Evaluate strategic alternatives;
5. Establish specific objectives and allocate resources;
6. Develop a retail mix to implement strategy; and
7. Evaluate performance and adjust.<sup>130</sup>

While a business' mission may be phrased in many ways, it must describe the retailer's objective, as well as its customers and capabilities.<sup>131</sup> Bad Boy's objective is to provide low prices and strong customer service to its clients. The company's customers are defined by their need for furniture, mattresses, appliances and electronics at a low price. The company's core capabilities are its strength in marketing and customer service. That being said, the company's business mission must include that it aims to sell furniture, mattresses, appliances and electronics at an affordable price with superior customer service.

The market attractiveness analysis is crucial in order to determine the pros and cons of the market in which the company is operating. This is achieved through Porter's Five Forces, which is outlined above. The competitor analysis and self-analysis are also outlined above.

The next step is to identify any strategic opportunities to increase retail sales.<sup>132</sup> Bad Boy's executive team has determined that the company's overarching strategic

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<sup>130</sup> Levy and Weitz, *Retailing Management*.

<sup>131</sup> Levy and Weitz, *Retailing Management*.

<sup>132</sup> Levy and Weitz, *Retailing Management*.

opportunity is a geographical expansion of its retail operations. The team must leverage their expansion expertise to ensure that the company's potential Ottawa store opening is successful. This decision is informed by long-term opportunities, such as expanding e-commerce business and increasing business-to-business operations.

After identifying strategic opportunities, a company must evaluate these opportunities based on a market analysis, competitor analysis and self-analysis.<sup>133</sup> The purpose of this evaluation is to allow a retailer to establish a competitive advantage and realize long-term profits.<sup>134</sup> Therefore, it is essential that a retailer concentrate on opportunities that are consistent with market forces and the company's strengths.<sup>135</sup> Bad Boy should maintain its competitive advantage in providing strong customer service through its deliveries. This may be achieved by opening a second warehouse or by utilizing a third-party warehouse with owner-operator truck drivers. This will allow Bad Boy to maintain its competitive advantage in Ottawa.

The fifth step involves establishing specific objectives and allocating resources.<sup>136</sup> The objective of opening a store in Ottawa is profitability. However, the case does not provide a specific goal or a timeline. Therefore, Bad Boy's management must establish a specific profit objective and a timeline. The company's target profitability should be determined relative to other store openings, but management must factor in the size of Ottawa's population and the warehousing that is required. Since the retail furniture industry is seasonal, the timeline should be at least twelve months in order for Bad Boy to complete a full operating cycle.

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<sup>133</sup> Levy and Weitz, *Retailing Management*.

<sup>134</sup> Levy and Weitz, *Retailing Management*.

<sup>135</sup> Levy and Weitz, *Retailing Management*.

<sup>136</sup> Levy and Weitz, *Retailing Management*.

After Bad Boy's executive team has established specific objectives and allocated resources, they must develop a retail mix to implement strategy.<sup>137</sup> As part of Bad Boy's retail mix, it is crucial that products are shipped to consumers in a timely fashion. Also, Bad Boy must offer competitive prices. It is not an option for the company to adjust its product offering, as it is a 'one-stop shop' for people looking to furnish their homes.

The final step is to evaluate Bad Boy's performance and adjust accordingly.<sup>138</sup> This step involves an evaluation of the company's long-term options. For example, if Blayne decides to open a location in Ottawa, he should evaluate the store's performance and then decide whether to open one or two more locations. This same logic applies to Bad Boy's potential expansion of e-commerce sales and business-to-business operations.

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<sup>137</sup> Levy and Weitz, *Retailing Management*.

<sup>138</sup> Levy and Weitz, *Retailing Management*.



## **CHAPTER 4 – BRAND BUILDING IN OTTAWA: A NEW MARKET**

On August 15, 2019, Blayne Lastman, the Chairman and CEO of Bad Boy, opened the company's eleventh retail store, the first location in Kingston, Ontario. It is now December 1, 2019, and Blayne is pleased with the store's performance. As a result, he has decided to open a new store in Ottawa on March 1, 2020. Capitalizing on the Kingston store's success, Blayne is anticipating even more impressive results in Ottawa, as this will be the largest city that the company has entered since its inception in 1991 in Toronto. Nevertheless, Blayne has reservations because, while the Bad Boy brand is well-known in and around the Greater Toronto Area (GTA), he is unsure how well-known it is in Ottawa. While Blayne believes Ottawa will be a 'natural fit' for the company, he needs to devise a thorough and calculated brand-building plan in the next three months in order to ensure that the store generates as much brand recognition as possible.

### **Bad Boy: Company Background**

Bad Boy is a home furnishing retailer that sells furniture, mattresses, appliances, and electronics. Furniture accounted for the largest segment of the company's FY2018 revenue, followed by appliances, mattresses and electronics. Bad Boy is classified as a discount retailer considering that it retains low prices relative to other retailers.

#### *History of the Company*

Bad Boy was established in 1955. The company quickly became a household name through quirky promotions and marketing initiatives.<sup>139</sup> A young, energetic and

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<sup>139</sup> Bad Boy, "About Bad Boy."

flamboyant Mel Lastman (Mel) opened the first Bad Boy store in Toronto, Ontario.<sup>140</sup> Mel leveraged his charisma in order to sell furniture and appliances. He marketed Bad Boy as ‘the place to shop,’ while highlighting the company’s low prices and customer service. After the company’s opening, Mel’s quirky image grew in Toronto because of his unique and unprecedented marketing tactics. For example, Mel stood outside at Toronto’s busiest intersection selling \$2 bills in exchange for \$1 bills. He claimed it was the “best two-for-one deal you could find.”<sup>141</sup> As a publicity stunt, Mel flew to the frigid Canadian Arctic (Frobisher’s Bay, now known as Iqaluit) to sell a refrigerator to a remote Inuit community.<sup>142</sup> Unsurprisingly, this ironic and absurd transaction garnered international media attention. These marketing activities led Mel to early success in business; however, he would soon pursue a career in municipal politics.

In the early 1970’s, Bad Boy’s sales were flourishing. In 1972, as the company grew to 40 locations and expanded its product offerings to sell mattresses and electronics, Mel ran for Mayor of the city of North York.<sup>143</sup> He leveraged his charismatic personality and won the election.<sup>144</sup> However, he was unable to operate the Bad Boy chain while fulfilling his role as mayor. Simply put, both commitments were too demanding to balance at one time.<sup>145</sup> As a result, in 1975, Mel sold the Bad Boy chain.<sup>146</sup> For

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<sup>140</sup> Bad Boy, “About Bad Boy.”

<sup>141</sup> Bad Boy, “About Bad Boy.”

<sup>142</sup> Mel Lastman (Founder, Bad Boy), in discussion with the author, April 3, 2019.

<sup>143</sup> Bad Boy, “About Bad Boy.”

<sup>144</sup> Bad Boy, “About Bad Boy.”

<sup>145</sup> B Lastman, discussion, February 10, 2019.

<sup>146</sup> Bad Boy, “About Bad Boy.”

undisclosed reasons, the purchasers decided to shut down the company's operations nine months after the transaction had been completed.<sup>147</sup>

Since Mel was central in creating Bad Boy, his persona and achievements are inextricably linked to the brand. During his 34 years in municipal politics, Mel rose to celebrity status throughout Canada. He was re-elected as the Mayor of North York five times and served in the position for a total of 28 years.<sup>148</sup> In 1998, six cities (North York, Old Toronto, Scarborough, East York, York and Etobicoke) amalgamated to become the city of Toronto. This newly amalgamated "Mega City" was home to 2.4 million Torontonians, making it the fourth largest city in North America by population.<sup>149</sup> Mel was the first Mayor of Toronto, earning him the nickname "Mega City Mel".<sup>150</sup> During his tenure as Mayor, Mel continuously showcased his colourful personality, as well as his controversial comments and actions, garnering the "Lastman" name significant media attention. Following a major snowstorm in 1999, Mel made international headlines when he called the Canadian Army to clear snow in Toronto.<sup>151</sup> In honour of Mel's many contributions to the City of Toronto, a public park was named after him. Mel's rise to fame provided Blayne with an opportunity to re-launch the Bad Boy brand by using Mel as the company's brand ambassador and capitalizing on the well-known "Lastman" name.

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<sup>147</sup> B Lastman, discussion, February 10, 2019.

<sup>148</sup> City of Toronto, "Biography – Mel Lastman," Toronto, accessed April 4, 2019, <https://www.toronto.ca/explore-enjoy/history-art-culture/mayors-councillors-reeves-chairmen/mayor-reeve-chairman/mel-lastman/>.

<sup>149</sup> Canadian Business, "So, is Toronto really bigger than Chicago? It's complicated," March 6, 2013, accessed April 4, 2019, <https://www.canadianbusiness.com/blogs-and-comment/so-is-toronto-really-bigger-than-chicago-its-complicated/>.

<sup>150</sup> Bad Boy, "About Bad Boy."

<sup>151</sup> Evelyn Kwong, "20 years ago, Mayor Mel Lastman called in the Army for snow removal," Toronto Star, January 14, 2017.

### *Relaunch and Expansion*

Blayne followed in his father's footsteps, relaunching the Bad Boy brand in 1991 by opening a store in Scarborough. The relaunch enabled Blayne to expand the company in and around the GTA. Blayne used quirky and colourful promotional initiatives that proved to be successful.<sup>152</sup> Blayne opened a second store in Mississauga in 1992, and a third store in North York in 1995. The company continued to grow modestly yet consistently. Blayne opened a Whitby location in 1998 and a Barrie location in 1999. In 2008, Blayne opened three more stores within twelve months in London, Kitchener and Burlington. He further expanded the company to Brampton in 2012 and Ancaster in 2017.<sup>153</sup> Finally, he opened a Kingston location in 2019 (Exhibit 1). Blayne's expansion of Bad Boy has been methodical. He has catapulted the company's growth by leveraging his marketing expertise and by promoting values such as excitement, challenge, and commitment amongst employees (Exhibit 2).

### *History of Marketing Initiatives*

Blayne's expansion of Bad Boy has been centred around zany, humour-based marketing initiatives that have been executed on a continuous and extensive basis.<sup>154</sup> The company is known in and around the GTA for its vibrant and wacky advertisements. In all of the company's television commercials, a narrator asks, "Who's better than Bad Boy?" and Blayne jumps on screen, winks in an exaggerated fashion, makes an 'OK' hand gesture and passionately declares "NOOOBODY!!!"<sup>155</sup> The GTA population is well aware of this iconic slogan, which has resulted in top of the mind recall of the brand. Mel,

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<sup>152</sup> Bad Boy, "About Bad Boy."

<sup>153</sup> Bad Boy, "About Bad Boy."

<sup>154</sup> Bad Boy, "About Bad Boy."

<sup>155</sup> Bad Boy, "About Bad Boy."

along with Blayne's daughter, Samantha, appear in all of the company's advertisements. Mel and Samantha are always seen in advertisements making the same iconic gesture as Blayne.<sup>156</sup> As a result, Blayne, Mel and Samantha are the faces of the company.

Blayne and the company's executive team have pioneered many novel marketing campaigns. In 1994, Blayne used a Bill Clinton look-a-like for a television commercial (Exhibit 3). The White House responded by serving Bad Boy with a "Cease and Desist" order (Exhibit 4). Blayne turned this threat into an opportunity, as he defiantly continued airing the commercial, maintaining that Canada is a sovereign nation separate from the United States. Blayne responded to the media by stating, "this is Canada, not the 51<sup>st</sup> State!" He tripled the airtime of the commercial and also used a Hillary Clinton look-a-like. Not only did this situation result in front-page news all over Canada, but it also created a buzz around the world.<sup>157</sup> Media outlets from the United States, Germany, Japan and Italy, including Fox News and CNN, all sought interviews with Blayne.<sup>158</sup> Thus, he was further energized to continue his quirky advertising approach.

Seemingly, there was no limit to the company's advertisements, as Blayne continued to use creative marketing campaigns. In 1999, Blayne developed a partnership with World Wrestling Entertainment ("WWE"), where wrestlers would do commercials and sign autographs in select Bad Boy locations. Blayne has also used numerous celebrities to endorse the Bad Boy brand over the years. In addition, Blayne has used several athletes from the National Basketball Association's Toronto Raptors and the

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<sup>156</sup> Bad Boy, "About Bad Boy."

<sup>157</sup> Bad Boy, "About Bad Boy."

<sup>158</sup> B Lastman, discussion, February 10, 2019.

National Hockey League's Toronto Maple Leafs in various commercials.<sup>159</sup> These cleverly devised television marketing campaigns have entertained and inspired viewers and have enabled Bad Boy to become a regional powerhouse in the discount furniture market.

### **Bad Boy: Current Operations**

Currently, Bad Boy has 11 locations in the province of Ontario, Canada. All of the company's locations are within 250 kilometres of Toronto. In addition, the stores' floor spaces range from 18,000 to 34,000 square feet.<sup>160</sup> The company's stated philosophy is to provide service, value and price to its customers (Exhibit 5).

#### *Emphasis on Customer Service*

A central component of the Bad Boy brand is its professional approach to customer service. Bad Boy aims to service its customers from the moment they walk into the store until the moment the product has been delivered to their home. For Bad Boy, customer service includes providing flexible delivery options, replacing damaged products, and having a responsive customer service department.

Blayne spends his afternoons and evenings stationed at the company's Scarborough location.<sup>161</sup> As CEO, Blayne's presence demonstrates that he cares about his customers. Bad Boy's commitment to customer service is embodied in all of its advertisement initiatives and is thus an identifying factor of its brand.<sup>162</sup>

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<sup>159</sup> Bad Boy, "About Bad Boy."

<sup>160</sup> B Lastman, discussion, February 18, 2019.

<sup>161</sup> B Lastman, discussion, February 18, 2019.

<sup>162</sup> B Lastman, discussion, February 18, 2019.

Customer service is a pillar of the Bad Boy brand due to its consumers' reliance on furniture, mattresses, appliances, and electronics. Since Bad Boy products are "essentials" in consumers' everyday lives, the company must provide customer service even after the products have been delivered to the customer.<sup>163</sup> Products must be repaired and/or replaced periodically. Blayne has invested in the company's service department by introducing a state-of-the-art system to ensure that all complaints are answered promptly.<sup>164</sup> Customer service is a crucial aspect of the company's operations because it ensures that customers will return to make future purchases.<sup>165</sup>

A major component of the company's commitment to customer service is flexibility of delivery. Blayne says that "if a customer needs a delivery on a specific day, even if it's tomorrow, we will do everything in our power to make sure that they get it. If we have it in stock, that customer will get what he or she needs, regardless of the short notice that they give us."<sup>166</sup>

### *Products*

Bad Boy sells four major product categories: furniture, mattresses, appliances, and electronics. Brand salience varies in each product category. When consumers purchase furniture, the brand is usually not essential to the customer's purchasing decision, as furniture brands do not signal quality to most consumers.<sup>167</sup> It is difficult to measure consumers replacement purchasing behaviour of furniture because it is discretionary and based upon subjective factors, such as preference or whether the

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<sup>163</sup> S Lastman, discussion, February 22, 2019.

<sup>164</sup> S Lastman, discussion, February 16, 2019.

<sup>165</sup> S Lastman, discussion, February 22, 2019.

<sup>166</sup> B Lastman, discussion, February 22, 2019.

<sup>167</sup> S Lastman, discussion, February 22, 2019.

consumer wants to re-design their home.<sup>168</sup> Conversely, when consumers purchase mattresses, the brand is a key consideration in the decision-making process, but ultimately, comfort is the determinative factor.<sup>169</sup> Mattresses are replaced approximately every ten years.<sup>170</sup>

Brands in both appliance and electronics product categories are integral to the purchaser's decision, as the brand is synonymous with quality.<sup>171</sup> For example, the Samsung brand suggests quality to a consumer. Further, appliances are typically replaced every eight years and electronics every five years and therefore, it is important that customers are loyal because of consumer's repurchasing behaviour in these product categories (Exhibit 6).<sup>172</sup>

### *Pricing*

Bad Boy executives employ a strategic approach to pricing, which involves balancing everyday low prices and periodic discounting, while maintaining margins for the business. This hybrid approach allows the company to stay competitive in the discount furniture market, while frequently benefitting from periodic discounting. Consequently, Bad Boy is a destination for consumers who are looking for low prices, as well as consumers who have become aware of sales promotions.

Bad Boy advertisements consistently feature low prices and sales.<sup>173</sup> The prices on products are displayed on physical price tags. Each product has either two or three

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<sup>168</sup> S Lastman, discussion, February 22, 2019.

<sup>169</sup> S Lastman, discussion, February 16, 2019.

<sup>170</sup> S Lastman, discussion, February 22, 2019.

<sup>171</sup> S Lastman, discussion, February 22, 2019.

<sup>172</sup> S Lastman, discussion, February 22, 2019.

<sup>173</sup> S Lastman, discussion, February 22, 2019.



price tags. On every product, the first price tag is known as the Manufacturer's Suggested Retail Price (MSRP), which is the highest price.<sup>174</sup> There will always be a second price tag, which is the promotional price.<sup>175</sup> This price demonstrates the discount that the company is offering below the MSRP. The third price tag, which is not always applicable, is the advertised price.<sup>176</sup> The advertised price is derived from the company's marketing initiatives, which can be displayed in flyers, newspapers, television commercials or the radio.<sup>177</sup> This pricing strategy involves coordination between the buyers, the marketing team, and the staff at each store.

When determining the price of a product, the management team's starting point is the "landed cost," which is the cost paid to the manufacturer for the goods.<sup>178</sup> This cost includes freight, duties, and any other charges that are required to get the product into the company's warehouse. Then, a percentage is added to the "landed cost" for overhead, which is referred to as the "salesperson cost."<sup>179</sup> The overhead costs cover warehousing, delivery, commission and all other operating costs. Notably, the "salesperson cost" differs depending on the product category's margins.<sup>180</sup>

### *Organizational Buying Process*

Company executives employ a different process when purchasing furniture and mattresses, as opposed to appliances and electronics. When purchasing furniture and mattresses, Bad Boy's buyers are sent to tradeshow. The buyers make selections of

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<sup>174</sup> S Lastman, discussion, February 16, 2019.

<sup>175</sup> S Lastman, discussion, February 16, 2019.

<sup>176</sup> S Lastman, discussion, February 16, 2019.

<sup>177</sup> S Lastman, discussion, February 16, 2019.

<sup>178</sup> B Lastman, discussion, February 18, 2019.

<sup>179</sup> B Lastman, discussion, February 18, 2019.

<sup>180</sup> B Lastman, discussion, February 18, 2019.

purchases for the upcoming season.<sup>181</sup> The largest furniture and mattress tradeshow in the world is in High Point, North Carolina, which takes place on 12 million square feet of floor space and spans 180 buildings.<sup>182</sup> This tradeshow takes place semi-annually in April and October.<sup>183</sup> The company is also reliant on furniture and mattress suppliers for products and pricing, as the suppliers often visit Bad Boy locations to view inventory and recommend certain products.<sup>184</sup> The Bad Boy team then might utilize competitive shopping to dictate prices.<sup>185</sup> If a competitor has the same product at a lower or equal price, the team will make the necessary adjustment.<sup>186</sup> This may include taking a lower margin, contacting the suppliers to obtain a reduced price or discontinuing the product.<sup>187</sup>

When appliances or electronics are purchased for the company, they may be purchased at a tradeshow, but they are more likely to be purchased from meetings with existing suppliers. The pricing of appliances and electronics is generally dictated by ‘Minimum Advertised Pricings’, which is when the price is regulated by the suppliers. Additionally, Bad Boy executives will capitalize on situations where a supplier may have excess inventory, or an item may be discontinued.<sup>188</sup> This pricing strategy and process is integral to the company’s success, as low prices are necessary to remain competitive in the discount furniture market.

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<sup>181</sup> S Lastman, discussion, February 16, 2019.

<sup>182</sup> High Point Market, “About Market”.

<sup>183</sup> High Point Market, “About Market”.

<sup>184</sup> S Lastman, discussion, February 16, 2019.

<sup>185</sup> S Lastman, discussion, February 16, 2019.

<sup>186</sup> S Lastman, discussion, February 16, 2019.

<sup>187</sup> S Lastman, discussion, February 16, 2019.

<sup>188</sup> S Lastman, discussion, February 22, 2019.

## Industry

Bad Boy competes in the retail furniture industry, which has seen steady, but modest growth. According to the North American Index Classification System (NAICS), retailers in this space may also sell major appliances and home electronics.<sup>189</sup> The retail furniture industry can be further broken down into subgroups which include household furniture, office furniture, kitchen cabinets and institutional furniture. In Canada, household furniture accounted for 41.4% of the \$11.1 billion (CAD) industry in 2019.<sup>190</sup> This industry is expected to grow by 1.8% in 2020, 0.9% in 2021 and 0.9% in 2022.<sup>191</sup> While this growth rate is not exponential, it shows that the furniture industry will remain steady (Exhibit 7).

## *Ontario Marketplace*

Ontario is the most populated province in Canada, with a population of 14,322,000.<sup>192</sup> Ontario is home to the biggest city in Canada: Toronto. The GTA has a population of 6,346,000.<sup>193</sup> Ottawa is the second biggest city by population in Ontario.<sup>194</sup>

Within Ontario, Bad Boy's direct competitors are retailers that offer furniture, mattresses appliances, and electronics together. The firm has few direct competitors, as

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<sup>189</sup> Government of Canada, "North American Industry Classification System (NAICS) Canada 2017 Version 1.0," Statistics Canada, Modified March 23, 2018, accessed March 20, 2019, <http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=307532&CVD=307535&CPV=4421&CST=01012017&CLV=3&MLV=5>.

<sup>190</sup> IBIS World, "Furniture Stores – Canada Market Research Report."

<sup>191</sup> IBIS World, "Furniture Stores – Canada Market Research Report."

<sup>192</sup> Government of Canada, "Population estimates on July 1, by age and sex," Statistics Canada, accessed February 20, 2019, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501&pickMembers%5B0%5D=1.7&pickMembers%5B1%5D=2.1>

<sup>193</sup> Government of Canada, "Population," Statistics Canada, modified March 27, 2018, accessed February 20, 2019, <https://www150.statcan.gc.ca/n1/pub/12-581-x/2018000/pop-eng.htm>.

<sup>194</sup> Government of Canada, "Municipalities in Canada with the largest and fastest-growing populations between 2011 and 2016, accessed February 20, 2019, <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016001/98-200-x2016001-eng.cfm>.

the industry is consolidated with only two other major players: The Brick and Leon's. In 2012, the largest chain of retail stores in this industry, The Brick, was sold to another direct competitor, Leon's, for \$700 million; thus, substantially consolidating the retail furniture industry in Ontario.<sup>195</sup> Leon's and The Brick are dominant in the industry, as The Brick has 74 locations in Ontario and Leon's has 47 locations in Ontario.<sup>196</sup> Leon's and The Brick both have a wide variety of products for consumers to choose from and they strive to service consumers in the middle-income segment. Leon's has a reputation for being family friendly, as the Leon family has controlled Leon's since its inception in 1909.<sup>197</sup> Leon's owns the majority of its properties and performs financing in-house.<sup>198</sup> In other words, Leon's does not use a bank to extend credit to consumers (external financing); Leon's does it themselves. Bad Boy has outperformed Leon's (including The Brick) when assessing revenue per square foot (Exhibit 8); meaning that it has been more efficient than its dominant direct competition.<sup>199</sup>

Bad Boy's indirect competitors are retailers that sell some of the company's product categories, but do not focus exclusively on furniture, mattresses, appliances and electronics. The furniture, mattress and appliance markets for retailers are consolidated due to the high costs associated with buying and warehousing the inventory. In the furniture industry, other competitors include Sweden-based global giant Ikea and US-based Ashley HomeStore. Consumers who shop at Ikea make purchases based on convenience and price. Ikea is known for its simple designs and do-it-yourself assembly of their products. When consumers purchase products from Ikea, they need to assemble

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<sup>195</sup> Leon's Furniture Limited, "News Release."

<sup>196</sup> Leon's, "Annual Report 2018."

<sup>197</sup> Leon's Furniture Limited, "About Leon's."

<sup>198</sup> Leon's, "Annual Report 2018."

<sup>199</sup> Leon's Furniture Limited, "Annual Information Form," SEDAR, accessed March 10, 2019.

the products themselves. This allows Ikea to pass its assembly savings onto its customers. Ikea stores are unique as they are designed to be a one-stop shop for consumers' home needs. Also, Ashley HomeStore sells furniture at a low price point. They generally package their products, which means that Ashley HomeStore would sell any combination of a sofa, love seat, rugs, end tables and lamps for a discounted price. In addition, Ashley HomeStore manufactures its furniture and supplies to furniture stores across the globe.<sup>200</sup>

In the electronics industry, Best Buy is dominant, as it has 54 large-format stores in Ontario.<sup>201</sup> Best Buy benefits from economies of scale. They offer electronics at all price points and emphasize customer service.<sup>202</sup> Best Buy offers appliances but is it not a large component of its product offering.<sup>203</sup> Further, Sleep Country is the only national specialty mattress retailer in Canada.<sup>204</sup> Sleep Country sells mattresses and pillows (Exhibit 9).<sup>205</sup> Additionally, there are countless independents across the province of Ontario who also compete in this market. Independents generally have lower quality products and lower quantities of inventory due to their inferior purchasing power (Exhibit 10).<sup>206</sup> While Ontario has a saturated retail furniture market, it appears as though the Ottawa marketplace provides an opportunity for Bad Boy to expand its operations.

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<sup>200</sup> S Lastman, discussion, February 16, 2019.

<sup>201</sup> Best Buy, "Annual Report 2018."

<sup>202</sup> Best Buy, "Shop."

<sup>203</sup> S Lastman, discussion, February 16, 2019.

<sup>204</sup> Sleep Country, "Annual Report 2018."

<sup>205</sup> Sleep Country, "About Us."

<sup>206</sup> S Lastman, discussion, February 16, 2019.

### *Ottawa Marketplace*

The city of Ottawa is the capital of Canada and has a population of 934,000.<sup>207</sup> Ottawa is on the border of the French-speaking province of Quebec, as the City of Gatineau (population: 276,000) borders Ottawa to the north.<sup>208</sup> Kanata, with a population of 117,000, is located in Ontario and is 10 kilometres west of Ottawa (Exhibit 11).<sup>209</sup> Thus, Gatineau and Kanata represent a potential ancillary market for the company.

Similar to the rest of Ontario, the Ottawa furniture market is dominated by Leon's and The Brick, each with two locations in Ottawa.<sup>210</sup> The Brick also has one location in Kanata.<sup>211</sup> While there are several independent stores, no regional discount furniture chain has penetrated the Ottawa market.

Ottawa differs from the rest of Ontario due to its close proximity to Quebec. This may be a positive factor, as consumers from Quebec may shop in Ottawa, increasing the potential number of customers. However, this could be a detriment, as consumers in Ottawa may shop in Quebec. Nonetheless, this means that the Ottawa furniture marketplace could include Quebec. As Gatineau, Quebec borders Ottawa, Bad Boy may also compete with furniture retailers operating in Gatineau, most notably the Quebec-based furniture chain Brault & Martineau. Brault & Martineau, with its' chain of nine stores solely in Quebec, has similar merchandise lines to Bad Boy, The Brick, and Leon's.<sup>212</sup> In Gatineau, while Brault and Martineau and The Brick each have one

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<sup>207</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>208</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>209</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>210</sup> Leon's Furniture "Nearest Store"; The Brick "Store Locator."

<sup>211</sup> The Brick "Store Locator."

<sup>212</sup> Brault & Martineau, "All Our Departments," BM, accessed February 24, 2019, [braultetmartineau.com](http://braultetmartineau.com).

location, Leon's does not have any presence. Consequently, the Gatineau discount furniture market is not saturated.

## **Consumers**

Bad Boy executives identify their target market through composite segmentation, which allows them to analyze several key identifying factors including age, household income and gender.<sup>213</sup> The executive team targets certain demographics, especially consumers between 25-49 years-old with an average household income of \$80,000 to \$120,000.<sup>214</sup> Women are generally responsible for buying decisions related to the company's products.<sup>215</sup> Bad Boy executives also use psychographic segmentation to focus on price-sensitive consumers. According to Blayne, the company's target market makes buying decisions primarily based on selection, price, and service.<sup>216</sup>

Bad Boy's management aims to ensure that the customer's in-store experience allows the customer to purchase his or her product over any other competitor's store by focusing on selection, price and service. While Bad Boy stores contain a wide selection at low prices, the company provides an added level of service for its customers over that offered by competitors. When a customer enters a Bad Boy store, the customer is initially greeted by a salesperson.<sup>217</sup> Then, a different salesperson will offer their assistance.<sup>218</sup> Finally, a manager, referred to as a "closer," will assist in finalizing the transaction and ensuring that the customer is satisfied.<sup>219</sup> As soon as the transaction is complete, the

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<sup>213</sup> B Lastman, discussion, February 18, 2019.

<sup>214</sup> B Lastman, discussion, February 18, 2019.

<sup>215</sup> B Lastman, discussion, February 18, 2019.

<sup>216</sup> B Lastman, discussion, February 18, 2019.

<sup>217</sup> S Lastman, discussion, February 22, 2019.

<sup>218</sup> S Lastman, discussion, February 22, 2019.

<sup>219</sup> S Lastman, discussion, February 22, 2019.

customer will receive an e-mail thanking them for their purchase.<sup>220</sup> While selection, price and service are core company pillars, certain additional buying criteria need to be considered, depending on the product category.

The buying behaviour of the company's customers differs depending on what product the customer is seeking. When a customer purchases furniture, he or she focuses on comfort, aesthetics, price, and size.<sup>221</sup> When a customer is searching for a mattress, he or she considers comfort and price.<sup>222</sup> In deciding whether to purchase appliances, the customer prioritizes brand, functionality, service, price, and size.<sup>223</sup> When a customer is looking to purchase electronics, there will be a focus on brand, quality, and features (Exhibit 12).<sup>224</sup> In order to accommodate customers' needs, salespeople with the company must properly guide customers to find products that meet their needs. This requires all stores to be stocked with a wide range of product selection at the lowest possible price, and for the salespeople at the stores to be able to match the consumers' needs to a specific product model.

### *Ottawa Demographics*

Ottawa will be the second biggest market that Bad Boy has ever entered, after Toronto. There are 313,600 consumers in Ottawa aged between 25-49 years-old.<sup>225</sup> Further, of those 313,600 consumers, 161,500 are women. The Ottawa market is approximately five times the size of Kingston's, where Bad Boy has just successfully opened its eleventh store. Kingston has a population of 117,600, of which 19,300 are

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<sup>220</sup> S Lastman, discussion, February 22, 2019.

<sup>221</sup> S Lastman, discussion, February 22, 2019.

<sup>222</sup> B Lastman, discussion, February 18, 2019.

<sup>223</sup> B Lastman, discussion, February 18, 2019.

<sup>224</sup> S Lastman, discussion, February 22, 2019.

<sup>225</sup> Government of Canada, "Census Profile, 2016 Census."



women between 25-49 years old.<sup>226</sup> This is significant because women are largely responsible for buying decisions.<sup>227</sup> In addition to the Ottawa market, there are a significant number of students that attend post-secondary education institutions in the Ottawa area, which could be targeted since they are typically price-sensitive.

There are five major universities and colleges in Ottawa. In total, there are 95,000 post-secondary students in the city of Ottawa.<sup>228</sup> Typically, when students go to university or college, they purchase furniture, mattresses and electronics, as most student housing includes appliances. The number of students in Ottawa enables Bad Boy executives to possibly explore the opportunity of catering to this market (Exhibit 13).

Due to Ottawa's close proximity to Quebec, it is a unique market based on the number of bilingual people residing in Ottawa. There are 350,000 bilingual people living in Ottawa, however almost 550,000 people speak English only, compared to the mere 12,000 that speak French only.<sup>229</sup> This is a cultural hurdle for the management team to overcome, as they have not expanded anywhere with Quebecois influence.

When assessing Ottawa's demographics, the population is comparatively larger than other locations in which the company operates, and the student presence appears to be a suitable opportunity for company executives to explore.

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<sup>226</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>227</sup> B Lastman, discussion, February 18, 2019.

<sup>228</sup> Universities Canada, "2018 full-time and part-time fall enrolment at Canadian Universities," accessed April 6, 2019, <https://www.univcan.ca/universities/facts-and-stats/enrolment-by-university/>.

<sup>229</sup> Government of Canada, "Census Profile, 2016 Census."

## **Building a Brand in Ottawa**

As Blayne plans to open a Bad Boy store in Ottawa in three months, he recognizes the importance of developing the brand. In order to this, Blayne will need to leverage the company's current marketing capabilities to make sure they can reach and positively impact customers in Ottawa.

### *Current Marketing Operations*

Bad Boy advertisements are primarily delivered through television, newspapers, flyers, radio and social media. The company is often featured in the top right corner of the Toronto Star newspaper, on the banner of CP24 news station, and during popular television programming such as the NFL playoffs.<sup>230</sup> In addition, Bad Boy annually promotes a "back to school" campaign and always has a student promotion available in every store.<sup>231</sup> There is always a seniors' discount as well as a corporate discount made available to select partners.<sup>232</sup> The company's marketing and promotional campaigns are led by a marketing and advertising team comprised of ten individuals, who are responsible for directing and filming commercials, as well as designing newspaper advertisements, flyers, store signage, and delivery truck signage.<sup>233</sup>

Since 2012, all of Bad Boy's marketing functions are conducted in-house, with extensive input from company executives.<sup>234</sup> More specifically, Blayne is a personally-active brand manager.<sup>235</sup> Blayne constantly brainstorms new marketing initiatives and endlessly communicates with the marketing team to ensure that the company's messaging

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<sup>230</sup> B Lastman, discussion, February 26, 2019.

<sup>231</sup> B Lastman, discussion, February 26, 2019.

<sup>232</sup> B Lastman, discussion, February 26, 2019.

<sup>233</sup> B Lastman, discussion, February 26, 2019.

<sup>234</sup> B Lastman, discussion, February 22, 2019.

<sup>235</sup> B Lastman, discussion, February 22, 2019.

is consistent and effective. The company's executives spend 5-7% of Bad Boy's annual revenue on advertising (Exhibit 14).<sup>236</sup>

Bad Boy's marketing initiatives reach beyond their intended targets – 30% of all of the company's current promotional activities reach the Ottawa market, since they originate from the GTA.<sup>237</sup> Some of the company's television advertisements reach the Ottawa market, however its newspaper and radio advertisements do not.<sup>238</sup> Blayne believes, anecdotally, that there is awareness of both the "Lastman" name and the Bad Boy brand in Ottawa.<sup>239</sup> Since 30% of Bad Boy's marketing budget reaches the Ottawa area, it would make sense that the company is relatively well-known there. However, since Bad Boy has no physical presence in the Ottawa area, Blayne and other company executives are uncertain as to what extent women aged 25-49 years-old are aware of the Bad Boy brand.<sup>240</sup> This is important to ascertain, because this segment of the population forms a significant component of the company's target market. If the management team were to conduct market research to determine the company's brand awareness in Ottawa, it would cost \$25,000 to do internally and \$100,000 to do externally.<sup>241</sup>

In Bad Boy's advertisements, the presence of Blayne, Mel, and Samantha is a core pillar.<sup>242</sup> While the company's executive team has kept this branding consistent when entering new markets, the Ottawa location poses a new challenge. The reason for this is because while Blayne and Mel are well-known in the GTA, they might not be as

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<sup>236</sup> B Lastman, discussion, February 22, 2019.

<sup>237</sup> B Lastman, discussion, March 4, 2019.

<sup>238</sup> S Lastman, discussion, February 26, 2019.

<sup>239</sup> B Lastman, discussion, February 22, 2019.

<sup>240</sup> B Lastman, discussion, February 22, 2019.

<sup>241</sup> S Lastman, discussion, February 26, 2019.

<sup>242</sup> S Lastman, discussion, February 26, 2019.

well-known in the Ottawa area. However, there could be some degree of name recognition. Mel and Blayne are the focal point of the company's marketing strategy.<sup>243</sup> Regardless, Blayne needs a marketing communications plan in order to remind and/or inform the people of Ottawa about Bad Boy and the "Lastman" name.

### *Opening a New Store: Bad Boy's Formula*

When Blayne opens a new store, he uses his team's marketing expertise to express the company's core values to the new market. So far, Blayne has been satisfied with every new store that he has opened, and he has never closed a store.<sup>244</sup> Blayne always employs a detailed plan when opening a new store.<sup>245</sup> This plan has been followed for all store openings over the last twelve years, including the most recent Kingston location.

Blayne's formula to open a new store begins three months before opening, when the marketing team saturates the market with Bad Boy advertisements.<sup>246</sup> This includes advertisements via television, newspapers, flyers, social media, potential collaborations with local celebrities and political figures, and partnerships with local news stations.<sup>247</sup> The purpose of this is to create a buzz that Bad Boy is coming to town, which means greater savings and service for consumers. Altogether, these marketing initiatives cost \$500,000. They ensure that the message is delivered clearly to as many consumers as possible prior to the store's grand opening.<sup>248</sup> Then, special events that take place during

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<sup>243</sup> B Lastman, discussion, February 26, 2019.

<sup>244</sup> B Lastman, discussion, February 26, 2019.

<sup>245</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>246</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>247</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>248</sup> B Lastman, discussion, February 22, 2019.

the grand opening will be advertised.<sup>249</sup> For example, ‘door crashers’ feature in many advertisements, which means that the first certain number of people will receive free, or discounted, products.<sup>250</sup> During the 10<sup>th</sup> store opening in Ancaster, someone waited in line for 16.5 hours and there were hundreds of customers waiting in line prior the store’s opening at 6:00 AM.<sup>251</sup> Giveaway raffles that take place periodically throughout the grand opening weekend are also advertised.<sup>252</sup> Various media outlets, including Breakfast Television, provide live coverage of the grand opening, including the lineup before the store opens and the periodic giveaway raffles.

Blayne realizes that in the store, employees become the face of the brand during interactions with customers.<sup>253</sup> Therefore, personnel selection is instrumental in building the brand. The right employees must be hired. Ten weeks before the grand opening of a new location, the human resources team hosts a job fair in the new location’s city.<sup>254</sup> Job offers are given to salespeople shortly thereafter.<sup>255</sup> All new salespeople attend one week of training at the company’s head office. Then, the newly hired employees will work as salespeople in an existing store for one month. After this, the new location will have a ‘soft opening’, which is not announced to the public. The new hires will work for two to four weeks during the ‘soft opening’, which does not attract as many customers because the official opening of the store has not yet been announced.<sup>256</sup> During the grand opening

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<sup>249</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>250</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>251</sup> B Lastman, discussion, February 22, 2019.

<sup>252</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>253</sup> B Lastman, discussion, February 22, 2019.

<sup>254</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>255</sup> Bad Boy, *Grand Opening Guide Book*.

<sup>256</sup> Bad Boy, *Grand Opening Guide Book*.

weekend, Blayne transfers 40 of his top staff to the new location.<sup>257</sup> During the grand opening weekend, Blayne, Samantha and six other executives, including three buyers will be at the store. For the first two weeks, there will be twelve managers, twelve salespeople, five front desk staff and three shippers. This is implemented on an ‘as needed’ basis. For the third and fourth week, Blayne will reduce this number in half to 20, and the extra staff will be rotated with a stronger emphasis on weekends (Exhibit 15). This detailed formula needs to be implemented meticulously, as Blayne is adamant that it is “crucial for Bad Boy to deploy this plan in order to achieve success.”<sup>258</sup>

### *Advertising Options*

Bad Boy executives have explored several options in order to build the company’s brand in Ottawa as effectively as possible. Advertising for the new Ottawa location will cost \$500,000. Advertisements will take place three months prior to the store opening and the three months after the store has opened.

Blayne intends to allocate the company’s marketing budget primarily on advertisements on television, in newspapers and, to a lesser extent, on the radio.<sup>259</sup> Blayne is unsure as to how he will allocate advertising investments to media. With respect to newspapers, Bad Boy could advertise in The Ottawa Sun, The Ottawa Citizen, or the French language newspaper Le Droit. The Ottawa Sun is comparable to the Toronto Sun, where Bad Boy advertises extensively. The Ottawa Citizen is the most read newspaper in Ottawa and Le Droit is the most prominent francophone newspaper published in Ontario (Exhibit 16). Further, Bad Boy may advertise in commercials during

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<sup>257</sup> S Lastman, discussion, March 4, 2019.

<sup>258</sup> B Lastman, discussion, February 26, 2019.

<sup>259</sup> B Lastman, discussion, February 26, 2019.

television programmes such as CTV News at 6pm, CTV News at 12pm, The Ellen DeGeneres Show, and The View. CTV News at 6pm is the most watched news program in Ottawa. The Ellen DeGeneres Show is a daytime talk show that is centred around celebrity interviews. The View is a morning talks show that features five female hosts. They discuss hot topics in the news and general entertainment (Exhibit 17). Bad Boy is also considering advertising on local Ottawa radio stations (Exhibit 18).<sup>260</sup> Bad Boy must keep its brand message consistent when entering the Ottawa market, and this must be reflected through Bad Boy's marketing initiatives.

Bad Boy's management is considering using geo-fencing, which is a location-based marketing tool that lets marketers send messages to smartphone users in a defined geographic area. A prerequisite is that a person's location services on their mobile device is turned on. Geo-fencing can target users based on what they are searching online, and it can also target "homeowners." This would cost \$11.50 per 1,000 impressions. A discount could be offered if the user signs up to the company's e-mail list. Then, Bad Boy could have a database of Ottawa e-mail addresses and can centre a marketing campaign around this list. It is estimated that this will cost \$50,000.<sup>261</sup>

The Bad Boy team may also create an AdWords campaign through Google. This is done through key word searches, for example, if someone were to search keywords such as "best furniture store in Ottawa," then Bad Boy would appear at the top of the list as an advertisement. Since the company has no footprint in Ottawa, Google's pricing model would take this into account and would charge a premium to advertise in a new

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<sup>260</sup> Figures are approximated for reasons of corporate confidentiality.

<sup>261</sup> Figures are approximated for reasons of corporate confidentiality.

territory. This service would cost \$0.12 per click. Bad Boy's executives are willing to spend \$50,000 on this campaign.<sup>262</sup>

Prior to opening, Blayne is considering two options in order to gain awareness on post-secondary campuses around Ottawa. The first option is sending the company mascot to four major university/college campuses in the Ottawa area. If the mascot were to spend one day at each campus, this would cost \$4,000. The second option is to create promotional packages in students' welcome packages. This would cost \$0.90 per package and would give the student a 15% discount at any Ottawa-based Bad Boy location.<sup>263</sup>

#### *Marketing Plan to Expand E-Commerce?*

Bad Boy's management team launched the company's e-commerce platform in May 2014, with the aim of capitalizing on e-commerce revenue growth in Canada. E-commerce sales are expected to rise from \$5.4 billion to \$6.7 billion over the next five years.<sup>264</sup> Bad Boy consumers are buying more online, and the company's online store has more year-over-year growth than any other physical store. In the last fiscal year, the company's e-commerce business has grown 16%, compared to 88% the year before. Bad Boy's e-commerce revenue has a similar product breakdown to its retail stores, as 53% of sales are furniture and mattresses, 42% is appliances and the remaining 5% is electronics.

The Bad Boy website offers all products that are available in-store, but it also offers thousands of web-only exclusive products. For items that are also featured in stores, the prices tend to be lower online because it is easier for a customer to compare prices, there is less overhead when selling goods online and there is no possibility for the

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<sup>262</sup> Figures are approximated for reasons of corporate confidentiality.

<sup>263</sup> Figures are approximated for reasons of corporate confidentiality.

<sup>264</sup> Bad Boy Furniture, *Confidential Report*, internal document.



customer to negotiate the price. The company's e-commerce site has been growing faster than any physical store over the last seven years. The company has a team dedicated to maintaining and improving its e-commerce business. Bad Boy executives have never implemented a marketing plan to grow e-commerce sales in a new geographic region. Regardless, Blayne believes that e-commerce sales will flow naturally from the Ottawa location. With regards to furniture, mattresses and appliances, there is not a significant amount of e-commerce competition in Ottawa or the rest of Ontario, as pure play e-commerce companies have not yet penetrated this market.<sup>265</sup>

### *Marketing in Quebec?*

Due to the close distance between Gatineau, Quebec and Ottawa, Blayne and other company executives are contemplating building the Bad Boy brand in the Gatineau area. However, the demographics and cultural landscape of Gatineau are different than Ottawa. The marketing costs in Quebec are similar to those in Ottawa. However, the language barrier is a factor, as 28% of Gatineau's population speaks French only and 7% speaks English only.<sup>266</sup> However, 64% of the Gatineau population is bilingual.<sup>267</sup> In determining whether to advertise in Quebec, Blayne needs to do research on the French language requirements of advertisements. This would be an expensive and time-consuming exercise; however, it may open the door to a future expansion in Quebec.

### **Conclusion**

Blayne believes that brand recognition will be directly correlated to the store's performance. Consequently, it is crucial that the Bad Boy brand gains recognition as

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<sup>265</sup> B Lastman, discussion, March 4, 2019.

<sup>266</sup> Government of Canada, "Census Profile, 2016 Census."

<sup>267</sup> B Lastman, discussion, March 19, 2019.

extensively as possible. In order to do this, Blayne must determine how to leverage the Bad Boy brand, as well as the “Lastman” name in Ottawa. Blayne must also determine whether to adjust his formula for opening a new store. Blayne must also determine to what extent he can leverage marketing the company’s e-commerce platform in support of the overall brand building efforts. Lastly, Blayne must decide whether or not he should advertise in Gatineau, Quebec.

## **EXHIBITS**

# EXHIBIT 1: BAD BOY'S EXISTING RETAIL LOCATIONS<sup>268</sup>

Store	Year Opened	Square Feet	# of Employees	Property Type
Scarborough	1991	28,250	33	Strip Plaza*
Mississauga	1992	24,131	16	Strip Plaza
North York	1995	29,025	14	Standalone
Barrie	1998	23,500	15	Strip Plaza
Whitby	1999	27,000	22	Mall
London	2008	32,560	20	Standalone
Kitchener	2008	24,000	19	Strip Plaza*
Burlington	2008	18,943	17	Strip Plaza
Brampton	2012	29,671	17	Mall
Ancaster	2017	30,674	25	Strip Plaza
Kingston	2019	28,000	22	Strip Plaza

\*Strip Plaza is anchored by only Bad Boy

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<sup>268</sup> Samantha Lastman, February 16, 2019.

## EXHIBIT 2: BAD BOY'S CULTURE, VALUES AND COMMUNITY<sup>269</sup>

### CULTURE, VALUES AND COMMUNITY

The company has energy unlike any other. This energy starts at the top, from Blayne to President Tony Balasingham, to VP and Controller Beth Llanes to Senior Directors in Operations, to purchasing all the way to our part-time employees! This energy helps spark the potential of everyone who works at Bad Boy.

Work represents a substantial investment for everyone, and we see no reason why that time shouldn't be filled with excitement and challenge. We therefore try to establish a culture that permits associates to understand how their efforts contribute to making the company and themselves better, understanding the "why" – not only the "how" – in every process. This sense of purpose helps employees to commit and constantly recommit themselves to ongoing excellence.

The employees at Lastman's Bad Boy are hard working and passionate. They feel a strong sense of belonging and are always rewarded for a job well done. With an open-door policy, Blayne and the entire management team make a concerted effort to get to know each and every employee. Blayne not only works in the head office; but also at the flagship location in Scarborough.

You never know, if you stop by the Scarborough location, you may just run into Blayne, or even Mel himself! So please stop by to see for yourself – Who's Better Than Lastman's Bad Boy? NOOOBODY!

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<sup>269</sup> Bad Boy, "About Bad Boy."

**EXHIBIT 3: BAD BOY'S TELEVISION COMMERCIALS<sup>270</sup>**



<sup>270</sup> Samantha L. Correspondent, email message to author, February 22, 2019.

EXHIBIT 4: CEASE AND DESIST ORDER<sup>271</sup>

P.01

THE WHITE HOUSE  
WASHINGTON  
February 22, 1994

██████████  
Bad Boy Furniture & Appliances  
1480 Dundas St. East  
Mississauga, Ontario L4X1L3

Re: Unauthorized Use of the Likeness of the President of the United States of America for commercial purposes.

Dear ██████████,

The attached advertisement for your organization, published in The Toronto Sun on January 17, 1994, was sent to the Counsel to the President in a complaint about an unauthorized use of the President's likeness.

Bernard W. Nussbaum, Counsel to the President, asked me to review with you the White House's long-standing policy that prohibits the use of the White House or images, words, or activities of the President and First Lady in commercial advertising. Specifically, this policy means that the President's or First Lady's name, image, or words is not permitted to be used to state or imply their endorsement or other linkage between them and a commercial product or service, regardless of its merit.

Enclosed please find a summary of the policy for your information and a summary of the Council of Better Business Bureau's "Do's and Don'ts in Advertising Copy."

Your advertising violates this long-standing policy since you have not received permission to use the President or First Lady's name or likeness. Accordingly, we request that you cease and desist all unauthorized uses of the likeness of the President of the United States of America in advertising of commercial services or products. Thank you for your assistance with this matter.

Sincerely,

████████████████████

Special Counsel to the President

██████████ The Toronto Sun

<sup>271</sup> Bad Boy Furniture, *Confidential Report*, internal document.

## EXHIBIT 5: THE BAD BOY PHILOSOPHY<sup>272</sup>

### THE BAD BOY PHILOSOPHY

In today's competitive markets, most organizations believe it is enough to offer price and value, or value and service, but few offer all three - claiming you cannot expect service if you are paying lower prices. Lastman's Bad Boy, however, is always the exception! Our 5 pillars of business are: Quality, Selection, Service, Value and Price.

Rest assured, Lastman's Bad Boy guarantees that every purchase comes with peace of mind and a quality guarantee. Competitor price matching, a lifetime price guarantee, and a promise to "Never Be Undersold" underlines the commitment to ensuring that Lastman's Bad Boy customers are always offered great products and value, without sacrificing anything in the process. There is consistently a dedicated team of employees ready to help our customers with any questions, concerns or issues that may arise before, during, and after their shopping experience.

Unlike other retailers, Bad Boy has an upgraded HOTLINE system to ensure customer satisfaction. The system is made up of an online delivery tracking system, a call ahead service comprised of three calls so you know when the delivery is coming, and a post-delivery call from a hotline specialist. The specialist's job is to check in on each customer to ensure a high quality delivery was provided, and to obtain customer feedback on ways the delivery could have been improved. In addition, our fleets of delivery trucks are equipped with GPS devices so that our delivery specialists can keep our customers informed!

This constant dedication and commitment to integrity, value, and always doing your best, is a philosophy that is shared by all Lastman's Bad Boy employees. As a workplace, the commitment is to offer all employees equal opportunities, mentorship programs, open-mindedness, and an ability to reach their potential through coaching and training. This philosophy has led to many of the employees building their careers at Bad Boy!

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<sup>272</sup> Bad Boy, "About Bad Boy."

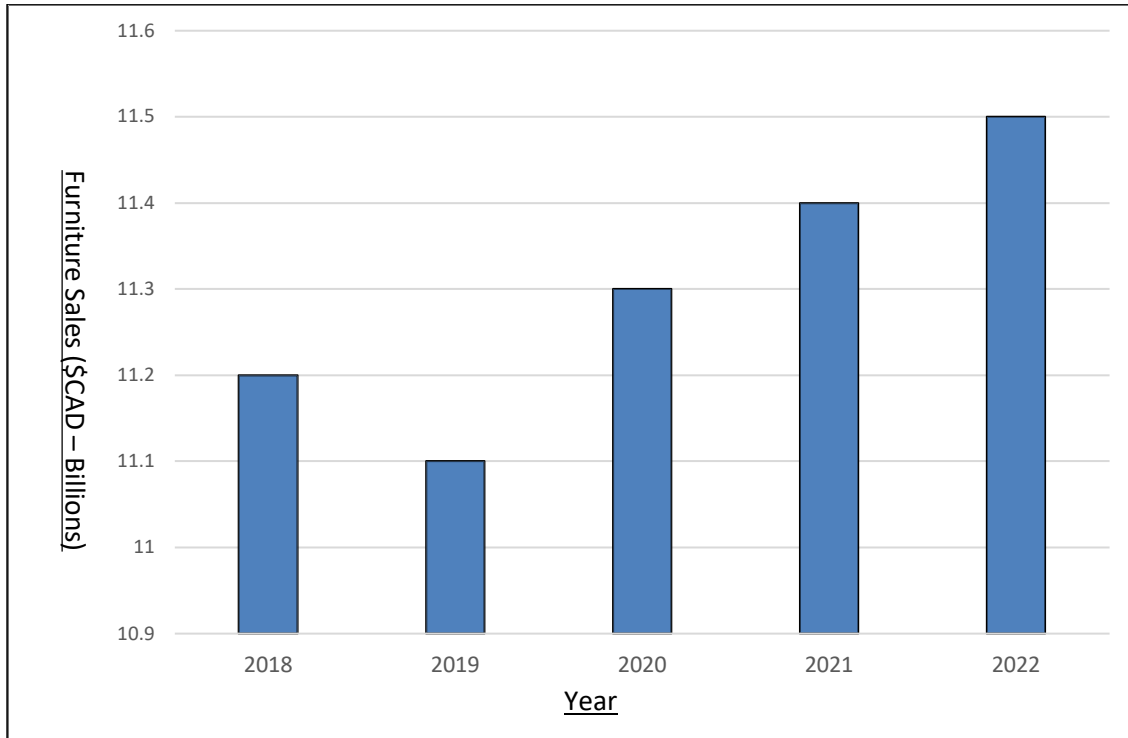


**EXHIBIT 6: BAD BOY’S PRODUCT BREAKDOWN<sup>273</sup>**

<b>Product Category</b>	<b>FY2018 Sales Breakdown</b>	<b>Margins</b>	<b>Average Price</b>	<b>Brands</b>	<b>Products</b>
<b>Furniture</b>	52%	50%	\$820	A-Class Ashley Brassex Decor-Rest Donald Choi Global Furniture Kwality Furniture Millennium Furniture Primo Sauder Furniture Sinca Furniture Sofa by Fancy	Sofas LoveSeats Sectionals Chairs Sofa Beds Kitchen/Dining Tables Kitchen/Dining Chairs Coffee/End Tables Beds Nightstands Chests Dressers
<b>Mattresses</b>	8%	45%	\$800	Ashley Bassett King Koil	Mattresses Pillows Frames
<b>Appliances</b>	34%	18%	\$767	Amana Bosch Danby Electrolux Frigidaire GE Appliances KitchAid Maytag Samsung Whirlpool	Refrigerators Dishwashers Cooktops Microwaves Range Hoods Freezers Washers Dryers Blenders Toasters
<b>Electronics</b>	6%	14%	\$760	LG RCA Samsung Sony	Televisions Television Stands Wall Mounts Sound Bars

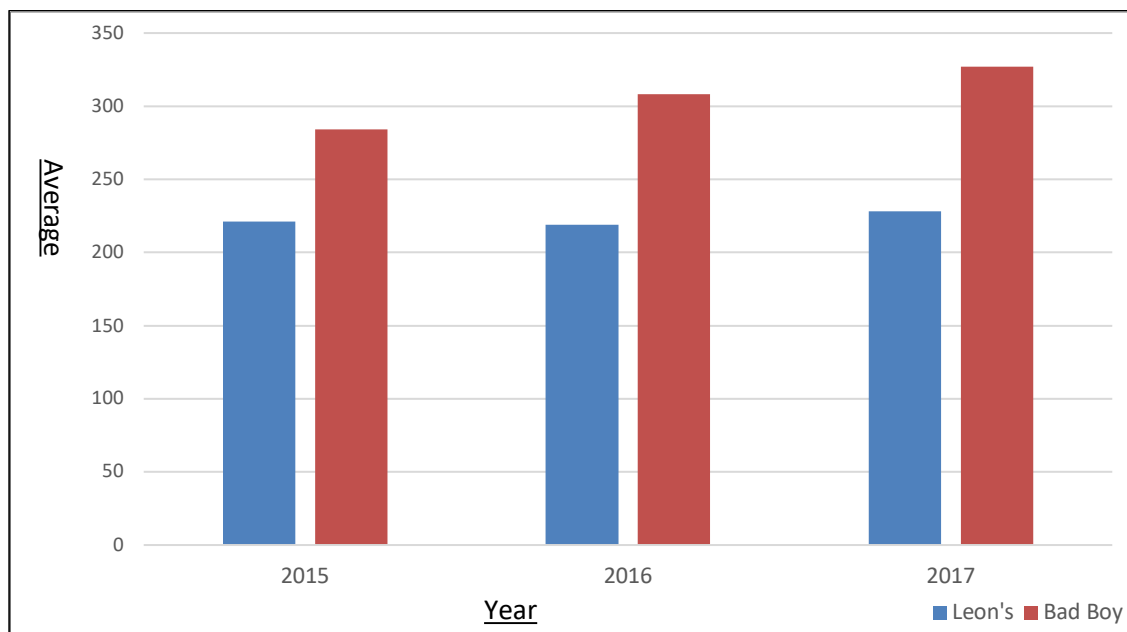
<sup>273</sup> Bad Boy, “All Products” and Blayne Lastman, February 22, 2019.

### EXHIBIT 7: CANADIAN FURNITURE INDUSTRY MARKET SIZE<sup>274</sup>



<sup>274</sup> IBIS World, “Furniture Stores – Canada Market Research Report.”

**EXHIBIT 8: REVENUE PER SQUARE FOOT – BAD BOY VS LEON’S  
(INCLUDING THE BRICK)<sup>275</sup>**



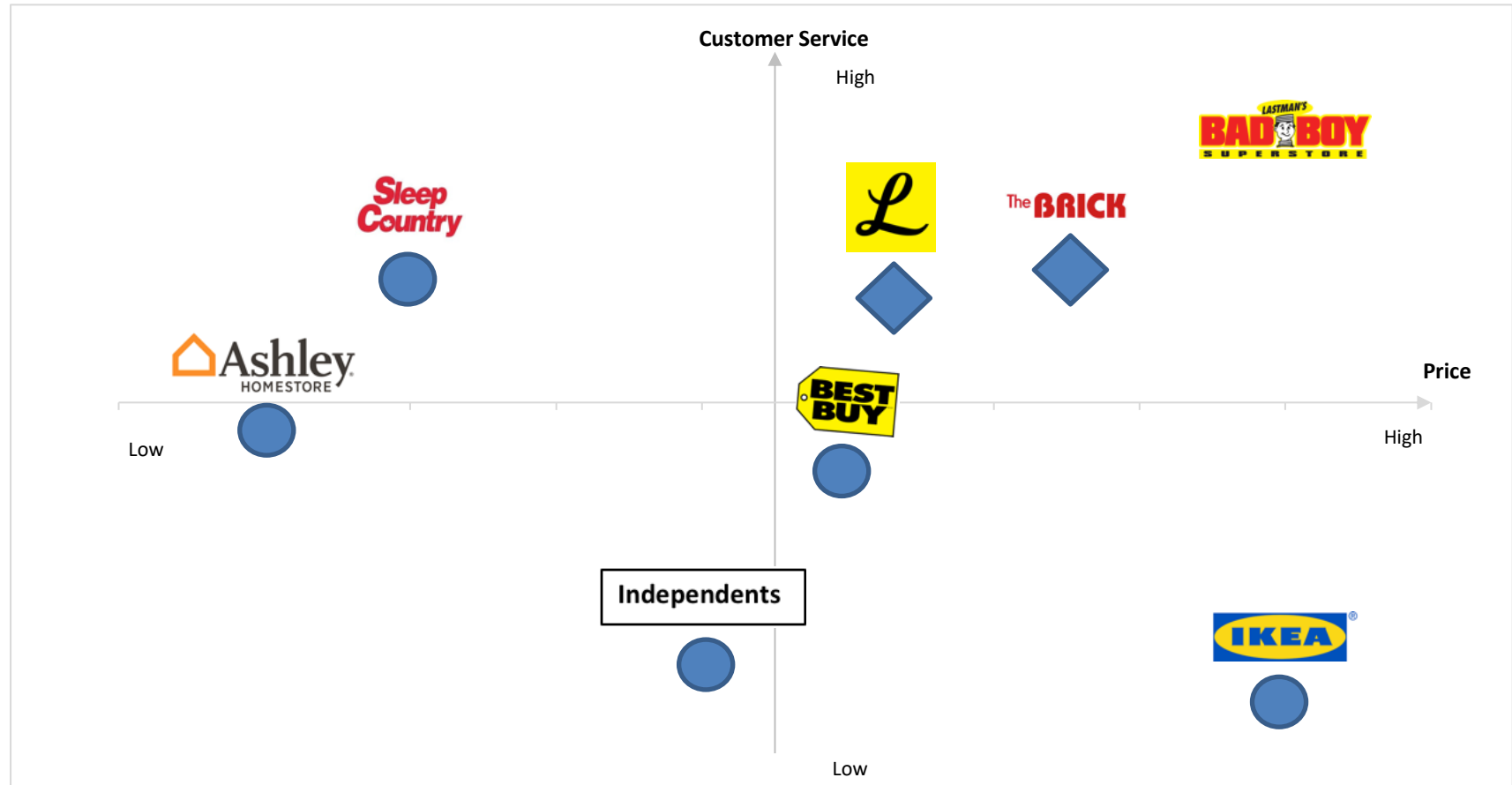
**EXHIBIT 9: BAD BOY’ COMPETITORS IN GREATER DETAIL<sup>276</sup>**

Competitor	# of Stores in Ontario	Comparable Products Sold
<b>Leon’s</b>	47	Furniture, Mattresses, Appliances and Electronics
<b>The Brick</b>	76	Furniture, Mattresses, Appliances and Electronics
<b>Best Buy</b>	78	Appliances and Electronics
<b>Ashley’s HomeStore</b>	25	Furniture and Mattresses
<b>Sleep Country</b>	100	Mattresses
<b>Ikea</b>	5	Furniture, Mattresses and Appliances

<sup>275</sup> Leon’s Furniture Limited, “Annual Information Form.”

<sup>276</sup> Leon’s Furniture “Nearest Store”; The Brick “Store Locator”; Best Buy, “Find a Store”; Ashley HomeStore, “Locations”; Sleep Country, “Find a Store”; IKEA “Find a location near you.”

EXHIBIT 10: BAD BOY'S ESTIMATION OF ITS COMPETITORS' POSITIONING



- ◆ = direct competitor
- = indirect competitor

## EXHIBIT 11: MAP OF THE OTTAWA REGION



**EXHIBIT 12: CUSTOMER'S DECISION-MAKING CRITERIA BY PRODUCT<sup>277</sup>**

<b>Product</b>	<b>Primary Considerations</b>	<b>Explanation</b>
<b>Furniture</b>	Aesthetic, Comfort, Price, Size	When a Bad Boy customer purchases furniture, they are concerned with how that furniture will appear in their home and whether it will fit. Once the customer is satisfied that the furniture will be aesthetically pleasing in their home, the customer will determine whether the furniture is comfortable enough. Comfort is not always relevant, i.e. when purchasing a dresser. The brand of the furniture is generally not material to the customer. After this process, the customer then usually negotiates the price.
<b>Mattresses</b>	Size, Comfort, Price	When a Bad Boy customer purchases a mattress, they begin by filtering their consideration set through the size of the mattress. Then, the buyer is concerned with comfort, and the salesperson will explain the difference between a firm mattress and a plush mattress. The brand of the mattress is likely more important to a purchaser of a mattress than a purchaser of furniture, however, it is still not a primary consideration. After this, the buyer will generally negotiate the price.
<b>Appliances</b>	Functionality, Service, Price, Size	When a Bad Boy customer purchases appliances, they are primarily concerned with the functionality of the appliance. In other words, customers might be concerned whether a stove is gas or electric. In addition, the customer values the brand of appliances. Further, it is important that the appliance fits in the customer's home. The customer is also concerned with the warranty that Bad Boy offers. Once this is settled, the customer will negotiate the price.
<b>Electronics</b>	Quality	When a customer is buying electronics, the brand they are buying is the most important factor. For example, Samsung usually guarantees a certain level of quality. However, the customer will trade that quality for the premium that they will pay.

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<sup>277</sup> S Lastman, discussion, February 26, 2019.

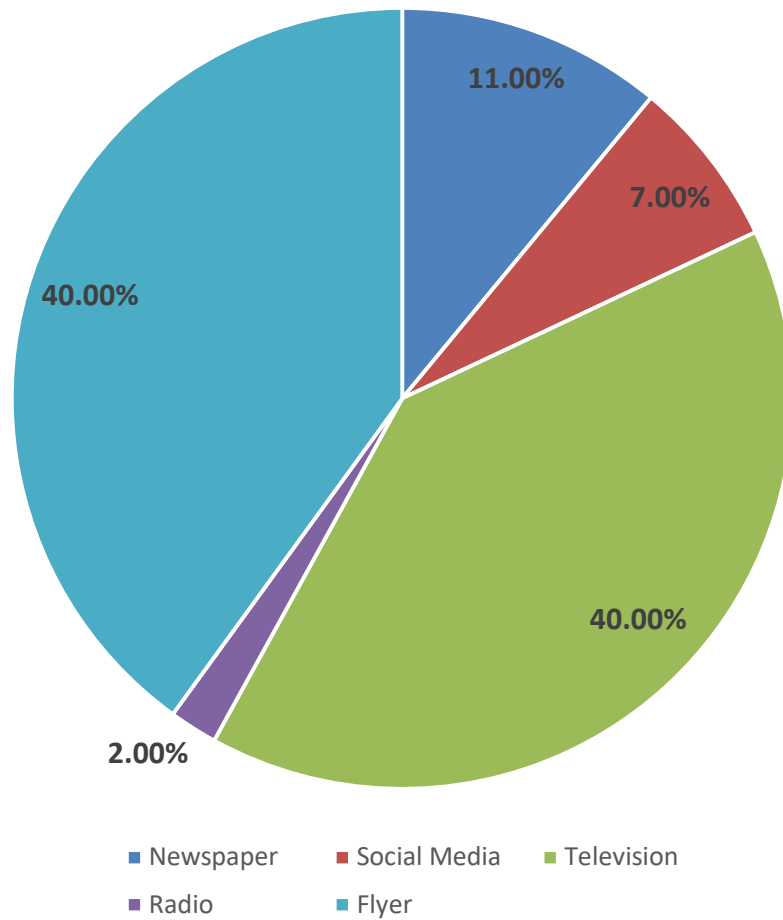
**EXHIBIT 13: UNIVERSITY & COLLEGE STUDENTS IN THE OTTAWA  
AREA<sup>278</sup>**

<b>University/College</b>	<b>Enrollment</b>
University of Ottawa	41,000
Carleton University	28,000
Algonquin College	20,000
La Cite Collegiale	5,000
St Paul University	1,000
<b>Total</b>	<b>95,000</b>

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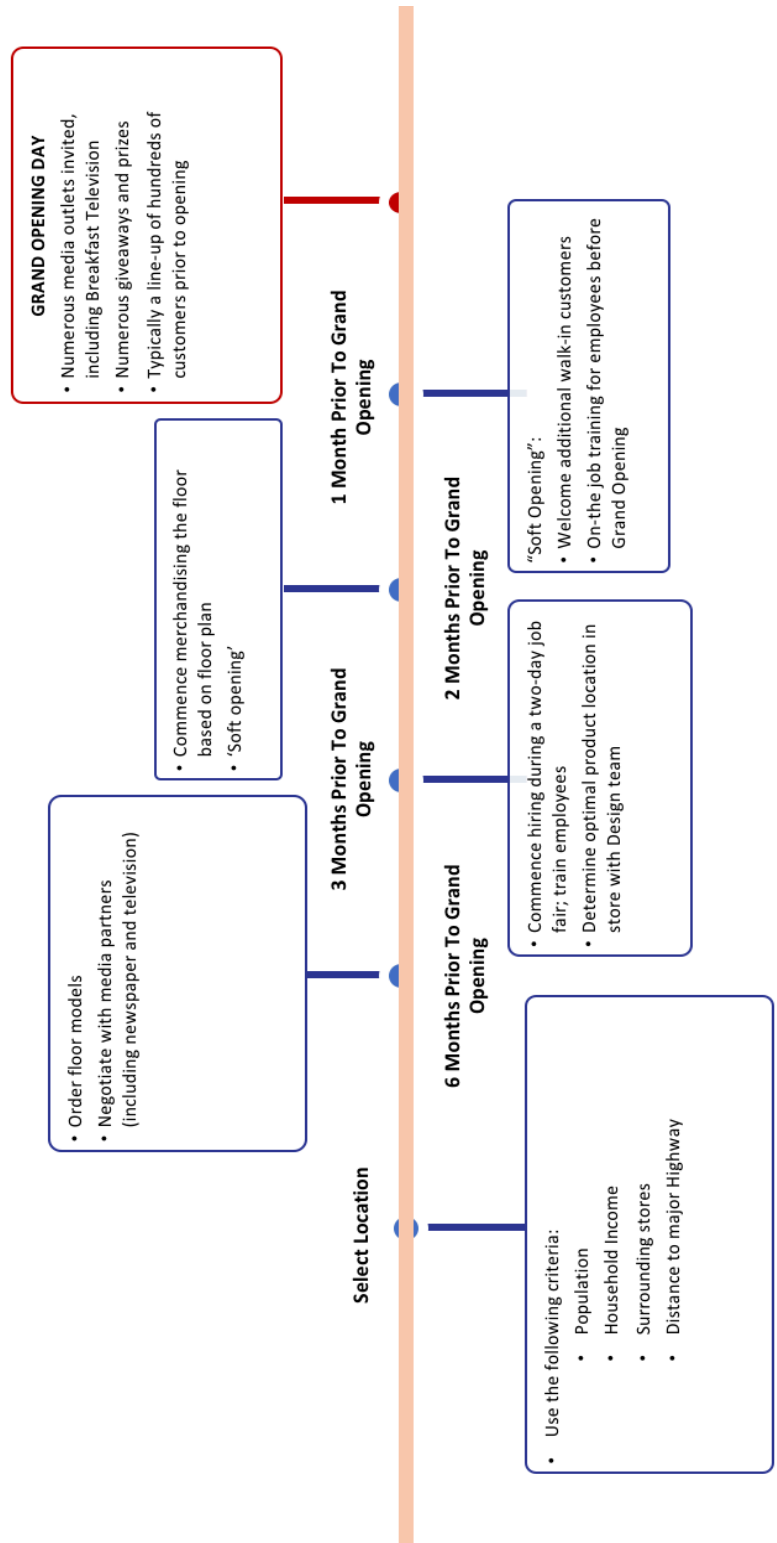
<sup>278</sup> Universities Canada, “2018 full-time and part-time fall enrolment at Canadian Universities.”

**EXHIBIT 14: FY2018 MARKETING BUDGET ALLOCATION (%)**





**EXHIBIT 15: BAD BOY’S FORMULA TO OPEN NEW STORES**



**EXHIBIT 16: OTTAWA-BASED NEWSPAPER VIEWERSHIP AND COSTS<sup>279</sup>**

<b>Newspaper</b>	<b>Viewership</b>	<b>Page Rates</b>
Ottawa Citizen (Saturday)	202,000	\$9,200
Ottawa Citizen (Monday – Friday)	149,000	\$6,800
The Ottawa Sun (Saturday)	117,000	\$3,750
The Ottawa Sun (Sunday)	98,000	\$4,000
The Ottawa Sun (Monday – Friday)	73,000	\$3,200
Le Droit (Saturday)	87,000	\$3,500
Le Droit (Monday – Friday)	52,000	\$2,750

**EXHIBIT 17: TELEVISION VIEWERSHIP AND COSTS<sup>280</sup>**

<b>Show, Time and Day</b>	<b>Relative Rating</b>	<b>Cost Per Spot</b>
CTV News at 6pm (Monday to Friday)	21.2	\$2,509.20
CTV News at 12pm (Monday to Friday)	1.8	\$122.40
Ellen Degeneres at 4pm (Monday to Friday)	3.4	\$221.85
The View at 11am (Monday to Friday)	1.6	\$84.15
American Idol at 8pm (Sunday)	10.2	\$1,002.15

<sup>279</sup> Figures are approximated for reasons of corporate confidentiality.

<sup>280</sup> Figures are approximated for reasons of corporate confidentiality.

# EXHIBIT 18: RADIO LISTENERS AND COSTS<sup>281</sup>

Radio Stations	Slogan	Weekly Listeners	Cost Per Spot
HOT 89.9	Ottawa's #1 Hit Music Station	60,000	\$49.00
KISS 105.3	90's to NOW!	33,000	\$38.75
Live 88.5	Ottawa's Alternative Rock Station	28,000	\$34.00
JUMP! 106.9	Non-Stop Hits	25,000	\$33.00
MAJIC 100.3	Today's Best Variety	24,000	\$32.00
106.1 CHEZ	The Capital of Rock	24,000	\$32.00
boom 99.7	70s, 80s, 90s	23,000	\$31.50
New Country 94	Ottawa's New Country 94	18,000	\$29.000
580 CFRA	Ottawa's Home for Breaking News	16,000	\$27.00
Country 101.1	#1 For Country	15,000	\$23.00
1310News	News. Talk. Sports.	6,000	\$16.00
94.9 Rouge*	The best choice of music	6,000	\$12.00
Jewel 98.5	Lite Favourites	5,000	\$11.00
TSN 1200	News & Audio for all Ottawa Sports	3,500	\$9.50
ENERGIE 104.1*	Biggest hits	800	\$1.50

\*French-language radio station

<sup>281</sup> Figures are approximated for reasons of corporate confidentiality.

## **CHAPTER 5 – TEACHING NOTE (BRAND BUILDING IN OTTAWA: A NEW MARKET)**

### **Synopsis**

Bad Boy recently opened its eleventh store; the first to be located in Kingston, Ontario. After the success of the opening, Blayne has decided to expand to Ottawa in three months. Ottawa will be the largest market that Bad Boy has entered since its inception in 1991. Blayne needs to devise a thorough and calculated brand-building plan in order to ensure that the store generates as much brand recognition as possible.

Bad Boy is a discount retailer that sells furniture, mattresses, appliances and electronics. The company was founded by Mel Lastman in 1955, who went on to become the mayor of Toronto for 34 years. In 1975, Mel sold Bad Boy, and the purchaser decided to cease the company's operations in that same year. In 1991, Mel's son, Blayne, re-launched the Bad Boy brand.

The company's brand is defined by its quirky and light-hearted marketing initiatives. The case details the history and impact of the company's marketing campaigns, including a television commercial featuring a Bill Clinton look-a-like that received international attention. The company's legendary slogan, "Who's better than Bad Boy? NOOOBODY!!!", has been at the centre of its marketing campaigns since its 1991 re-launch.

The case outlines Bad Boy's current operations and highlights its focus on selection, pricing and customer service. The case also provides a general overview of the retail furniture industry in Canada. More specifically, it focuses on the landscape in the

Ontario and Ottawa marketplaces. Further, the case describes the company's current consumers, as well as the demographics in Ottawa.

The case provides a summary of the company's current marketing operations, as well as the process that Blayne follows when opening a new store. The case presents several advertising options that Bad Boy's executive team might employ in Ottawa, allowing the instructor to determine whether each option would be beneficial considering the company's target market, positioning, and core strengths. The case also contemplates whether the company's management should develop a marketing plan to expand e-commerce sales and whether they should appeal to the French-speaking Quebecois population bordering Ottawa.

Bad Boy is a stable company that has a storied history and unique competitive advantages. The case asks how Blayne should build the company's brand, properly leverage the "Lastman" name, and successfully portray the company's quirky advertisements and strong customer service in Ottawa.

### **Retail Value Proposition**

Retail Value Proposition (RVP) can be defined as the benefits that a retailer provides its customers.<sup>282</sup> RVP can be reduced into four main categories: selection, price, convenience and customer experience.<sup>283</sup> Customer experience can be further reduced into two categories: care and entertainment.<sup>284</sup> Care relates to the customer service that

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<sup>282</sup> Krista Morrison, *Note on The Retail Value Proposition*, (London, ON: Ivey Publishing, 2006), 1-5, Product no. 9B05A016.

<sup>283</sup> Morrison, *Note on The Retail Value Proposition*.

<sup>284</sup> Morrison, *Note on The Retail Value Proposition*.

the retailer delivers.<sup>285</sup> Successful retailers exceed customers' minimum standards in all four categories, but they tend to deliver one of the categories in an exceptional manner.<sup>286</sup> The benefits that the retailer provides to its customers comprise the essence of the retailer's brand.<sup>287</sup>

The selection at Bad Boy stores exceeds customers' expectations. The stores offer a considerable amount of selection in terms of furniture, mattresses, appliances, and electronics. Although the stores are limited to a certain amount of floor space, there are thousands of web-exclusives on Bad Boy's e-commerce site. Therefore, more selection is provided to customers online. Most of the company's in-store merchandise is available in a number of different options, including sizes, colours, fabrics, and certain custom preferences.

Bad Boy competes with its competitors on price. It is necessary to provide low prices to compete in the discount furniture market, as customers compare prices between competitors. By utilizing a price-matching policy and allowing customers to bargain with salespeople, the company is able to exceed customers' expectations in terms of price.

Bad Boy is a convenient place to shop because it is a "one-stop shop" for home goods. Customers find convenience in the fact that they can purchase primary necessities from Bad Boy when, for example, moving into a new home. Customers are able to purchase a couch, dining room table, bedroom set, mattress, washer, dryer, dishwasher, refrigerator, stove, and televisions, as well as many other products all in one visit. Further, Bad Boy demonstrates convenience when the customer and salesperson are

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<sup>285</sup> Morrison, *Note on The Retail Value Proposition*.

<sup>286</sup> Morrison, *Note on The Retail Value Proposition*.

<sup>287</sup> Morrison, *Note on The Retail Value Proposition*.

scheduling delivery of the products. The company has a flexible delivery service and is capable of delivering products to customers under urgent circumstances.

Bad Boy's customer service is superior relative to industry standards. This has allowed the company to differentiate itself. When a customer enters a Bad Boy store, he or she is initially greeted by a salesperson. Then, a different salesperson will offer their assistance. Finally, a manager, referred to as a "closer", will assist in finalizing the transaction and ensuring that the customer is satisfied. As soon as the transaction is complete, the customer will receive an e-mail thanking them for their purchase. The company's flexible delivery service strengthens its customer service. Due to the important nature of these products in consumers' everyday lives, Bad Boy must provide customer service after the products have been delivered to the customer as well. Blayne has invested in the company's service department by introducing a state-of-the-art system to ensure that all complaints are answered promptly. As Blayne expands Bad Boy into Ottawa, it is instrumental that he ensures the company maintains its RVP.

**“Who's better than Bad Boy? NOOOBODY!!!” – How Does Bad Boy's Slogan Resonate with Consumers and How Does It Fit into the ELM Framework?**

Bad Boy's "NOOOBODY!!!" slogan was created when Blayne re-launched the company's operations in 1991. Since then, the majority of households in the GTA, as well as other parts of Ontario, have become familiar with the slogan. The energy and excitement of Blayne and Mel in the company's advertisements have been an integral part of emphasizing this message. According to the Elaboration Likelihood Model (ELM), this slogan and visual function can be considered as a peripheral cue.

In 1980, Petty and Cacioppo developed the ELM model, which altered the way in which marketing experts analyze advertisements.<sup>288</sup> According to the ELM model, consumers have three primary reactions to information: they cognitively know and understand it, they can affectively or emotionally feel a response about it or they can exhibit behaviour towards it.<sup>289</sup> The ELM model emphasizes two important topics.<sup>290</sup> The first involves how much thinking the consumer puts into the decision-making process based on persuasion.<sup>291</sup> The second is whether that decision will have an effect on the consumer's life.<sup>292</sup> The ELM model suggests that consumers form an attitude on a continuum, ranging from low elaboration to high elaboration.<sup>293</sup> When there is low elaboration, consumers process information peripherally, compared to high elaboration, where consumers process information through persuasion and clear attitude changes.<sup>294</sup>

Bad Boy's advertisements form low elaboration attitudes for its consumers. In other words, consumers process the company's advertisements peripherally. Peripheral advertisements include emotional persuasion, and they tend to rely on simple peripheral cues. Bad Boy's peripheral cue is the iconic "NOOOBODY!!!" slogan, or an image of Mel and Blayne in the pose as if they just shouted the slogan. Peripheral cues typically include music and visuals. The peripheral route involves decisions of a lesser importance. While Bad Boy's goods are necessities in people's homes, the actual decision is not

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<sup>288</sup> Richard E. Petty and John T. Cacioppo, *Communication and Persuasion: Central and Peripheral Routes to Attitude Change*, (New York: Springer-Verlag, 1986).

<sup>289</sup> Charles U. Larson, *Persuasion: Reception and Responsibility*, 8<sup>th</sup> ed., (Belmont, CA: Wadsworth, 2012), 87.

<sup>290</sup> Larson, *Persuasion: Reception and Responsibility*.

<sup>291</sup> Larson, *Persuasion: Reception and Responsibility*.

<sup>292</sup> Larson, *Persuasion: Reception and Responsibility*.

<sup>293</sup> Peter Voyer, *How Advertising Works*, (London, ON: Ivey Publishing, 2007), 1-8, Product no. 9B07A011.

<sup>294</sup> Voyer, *How Advertising Works*.



important because so long as the consumer has, for example, a mattress in their home, it is not imperative where they purchased the mattress.

Music can be a powerful advertising and promotional tool.<sup>295</sup> This is because music can grab a consumer's attention, establish a mood or arouse emotions.<sup>296</sup> Music is also most powerful when an advertisement is peripheral. While Bad Boy's slogan is not music per se, it will grab a consumers' attention as if it was music.

This form of advertising does not require much effort from the consumer, as the advertisement may be one that the consumer cannot get out of his or her head. Also, it does not allow the consumer to rationally argue against the advertisement. For example, when Bad Boy advertises with a local celebrity and then Blayne and Mel appear to perform the slogan, there is no argument for the consumer to have to convince him or herself not to purchase the product because no rational argument has been put forward by Bad Boy. However, on the contrary, consumers may be so distracted by Bad Boy's slogan that they cannot process the message that it is attempting to deliver.

Emotional appeals are typically more effective than rational appeals for preference-based goods, which appeal to consumers' design, style or taste.<sup>297</sup> This is highlighted when the consumer is highly involved in the product.<sup>298</sup> Bad Boy's products are preference-based goods that appeal to consumers' taste, style or design, as the products are displayed in a consumer's home. Further, the consumer is highly involved in the product as a Bad Boy consumer not only uses, but relies on his or her furniture,

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<sup>295</sup> Voyer, *How Advertising Works*.

<sup>296</sup> Voyer, *How Advertising Works*.

<sup>297</sup> Gerard Tellis, *Advertising and Sales Promotion Strategy*, (Reading, MA: Addison-Wesley, 1998), 165.

<sup>298</sup> Tellis, *Advertising and Sales Promotion Strategy*.

mattress, appliances, and electronics on a daily basis. As a result, Blayne and the Bad Boy team were correct in developing advertisements that create emotional appeals, as per the ELM model. Not only does Bad Boy's slogan create an emotional appeal, but so too does the image of Blayne and Mel Lastman.

Bad Boy's "NOOOBODY" slogan meets the ELM model's definition of a peripheral cue. The slogan is simple and relies on 'music' and visuals of Blayne and Mel's energy. Bad Boy's peripheral cue is appropriate because of the nature of its goods and because of its consumers' involvement in these purchases.

### **What is Bad Boy's Brand Image and What Role Does Image Play in Bad Boy's Branding Efforts?**

Put simply, brand image is the impression of a brand held by real or potential consumers. There is debate over how to define brand image and what its components are.<sup>299</sup> In 1958, Levy and Gardner argued that brands and products have a psychological nature in addition to a physical nature.<sup>300</sup> Thus, the ideas, attitudes and feelings that consumers have about brands were thought to be components of brand image.<sup>301</sup> Levy and Gardner have been credited as the first theorists to capture the brand image concept in writing.<sup>302</sup> Brand image is a concept that is held by the consumer, which is a largely subjective and perceptual phenomenon.<sup>303</sup> Brand image is shaped by marketing activities.<sup>304</sup>

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<sup>299</sup> Dawn Dobni and George M Zinkhan, "In Search of Brand Image: A Foundational Analysis," *Association for Consumer Research* 1, no 17 (1990): 110-119.

<sup>300</sup> Sidney Levy, "Symbols By Which We Buy," *American Marketing Association*, (1958): 409-416.

<sup>301</sup> Levy, "Symbols By Which We Buy."

<sup>302</sup> Dobni and Zinkhan, "In Search of Brand Image: A Foundational Analysis."

<sup>303</sup> Dobni and Zinkhan, "In Search of Brand Image: A Foundational Analysis."

<sup>304</sup> Dobni and Zinkhan, "In Search of Brand Image: A Foundational Analysis."

Bad Boy's brand image is quirky and light-hearted. The company's emphasis on customer service has helped shape its brand image.

Consumers view the Bad Boy brand as quirky and light-hearted because of the company's advertising content. More specifically, Bad Boy's television commercials have anchored its brand image. They are the most memorable forms of Bad Boy's advertisements. All of Bad Boy's other marketing activities are centred around its television commercials. Blayne and Mel shouting "NOOOBODY!!!" has been central in shaping the company's brand image. Bad Boy's creative marketing tactics contribute to its brand image being described as quirky. The television commercials with the Bill Clinton look-a-like, professional wrestlers and local celebrities have attributed to Bad Boy's brand image.

Bad Boy's brand image has been shaped by its devotion to customer service. The company's advertisements emphasize its strong customer service. Bad Boy's customer service is established once a customer enters the store. The company continues to focus on customer service upon delivery and if the customer is having any issues with his or her products.

Bad Boy's quirky advertisements have played a significant role in the company's brand building efforts. Bad Boy's advertisements have resonated with consumers, as they are impactful. It is difficult to detach Bad Boy from its advertisements, as they form part of the company's identity. Moreover, as markets are becoming more competitive, customer service is becoming a greater factor for consumers. Bad Boy's quirky, yet

caring brand has resonated well in new markets. This has been a winning combination for Bad Boy in its brand building efforts.

### **What is Bad Boy's Brand Statement?**

The Bad Boy brand demonstrates the company's quirky and energetic nature, as well as its dedication to customer service. The Bad Boy brand has been built around the "Lastman" family, which is a hallmark of the Toronto community. Bad Boy and the "Lastman" family have been dedicated to providing the best price, selection, and service to customers.

### **What is Bad Boy's Positioning Statement?**

Bad Boy's positioning statement: 'In today's competitive markets, most organizations believe it is enough to offer price and value, or value and service, but few offer all three – claiming you cannot expect service if you are paying lower prices. Bad Boy is a clear exception to this, as the company's five pillars of business are: selection, service, price, value and quality.'

Bad Boy's consumers always consider price, despite what product type they are purchasing. In addition to price, the consumer must believe that there is value, as consumers want to feel as if they found the best deal possible. The products must fit in the consumer's home and they must be aesthetically pleasing (from the perspective of the consumer), meaning that Bad Boy needs to provide selection. Consumers are also concerned with customer service, as Bad Boy's products are necessities in people's homes. In other words, the key attributes and benefits that customers are seeking are the same as the company's five core pillars: selection, service, price, value and quality.

From the consumer's perspective, these may be manifested in a number of ways depending on the situation. For example, customer service might be the most important because a newly divorced person is moving the next day. However, in other situations, selection and price may be the benefits sought most if first-time home buyers are buying merchandise. Therefore, the benefits and key attributes sought by customers will differ depending on the situation; however, it is instrumental that Bad Boy is always able to provide selection, service, price, value and quality to consumers.

### **How is Bad Boy Positioned?**

When assessing the discount furniture industry, Bad Boy is positioned as a discount (low price) and high service retailer. The company is a regionally dominant company in a consolidated marketplace. The company's direct competitors are Leon's and The Brick, which are both owned by Leon's. Since Leon's is a publicly traded company that operates throughout Canada, it cannot operate with the same flexibility as Bad Boy. For example, it would be more difficult for Leon's to have a flexible delivery service because of its scale. In addition, Leon's marketing activities face greater barriers because of the company's hierarchical structure and its obligation to shareholders.

Since Leon's and The Brick are viewed as corporate giants, this has allowed Blayne to position Bad Boy as a regional, energetic company. Blayne has emphasized the company's five pillars in its business operations, which has allowed the company to compete with The Brick and Leon's. Since Bad Boy is positioned as the smaller company, Blayne has managed to differentiate the company by highlighting its passion and customer service.

Exhibit 10 of the case features a positioning map of Bad Boy's competitors. The map demonstrates the company's competitors' relative customer service and discount price points. The map also shows the degree of competition of each competitor relative to Bad Boy. Leon's and The Brick pose the greatest competitive threat. Both retailers emphasize customer service. While The Brick is at a slightly lower price point than Leon's, they are both considered discount retailers. Ashley HomeStore poses a relatively large threat to Bad Boy, but it does not feature as discounted products in its retail locations as other retail chains. While Ikea and Sleep Country compete with Bad Boy, Ikea provides weak customer service and Sleep Country does not provide low price points. Best Buy does not pose a significant threat to Bad Boy, as it offers average price points and provides average customer service.

### **What is Bad Boy's Brand Personality?**

Brand personality refers to human characteristics that consumers associate with a brand. This set of traits allows a consumer to draw conclusions about a brand and decide whether he or she wants to be associated with a brand. Jennifer Aaker and Kevin Lane Keller have established frameworks to determine a company's brand personality.

In 1997, Jennifer Aaker notably established five dimensions that are associated with brand personality.<sup>305</sup> Aaker's five dimensions are: Sincerity, Excitement, Competence, Sophistication, and Ruggedness.<sup>306</sup> First, Aaker describes Sincerity as when the brand is down-to-earth, which involves whether the brand is family-oriented

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<sup>305</sup> Jennifer Aaker, "Dimensions of Brand Personality," *Journal of Marketing Research* 3, no 34, (1997): 347-356.

<sup>306</sup> Aaker, "Dimensions of Brand Personality."

and has features of a small town.<sup>307</sup> This brand is honest by showing that it is sincere and ‘real’.<sup>308</sup> Further, the brand is wholesome in that it is original, and also cheerful by displaying that it is sentimental.<sup>309</sup> Second, a brand that can be classified as Excitement is daring, which is manifested by being trendy and exciting.<sup>310</sup> The brand will be spirited by showing that it is cool and young.<sup>311</sup> This brand would also be imaginative and unique.<sup>312</sup> It is up-to-date in the sense that the brand is independent and contemporary.<sup>313</sup> Third, a brand that is classified as demonstrating Competence is reliable, hard-working and secure.<sup>314</sup> The brand also must be intelligent from a technical and corporate perspective, as well as successful, which can be displayed through the company’s leadership and general confidence.<sup>315</sup> Fourth, Sophistication refers to upper-class, which may be by virtue of glamor and aesthetics.<sup>316</sup> The brand would be charming, which may be displayed by being feminine or smooth.<sup>317</sup> Fifth, Ruggedness is when a brand is outdoorsy.<sup>318</sup> This brand is masculine and tough, and it also might show signs of being ‘western’.<sup>319</sup>

Many brands can easily fit into one of these five categories. For example, Levi’s fits under the Ruggedness category and Elon Musk’s SpaceX is Sophisticated. However, it is not as easy to classify Bad Boy in one of these five categories. It is unlikely that

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<sup>307</sup> Aaker, “Dimensions of Brand Personality.”

<sup>308</sup> Aaker, “Dimensions of Brand Personality.”

<sup>309</sup> Aaker, “Dimensions of Brand Personality.”

<sup>310</sup> Aaker, “Dimensions of Brand Personality.”

<sup>311</sup> Aaker, “Dimensions of Brand Personality.”

<sup>312</sup> Aaker, “Dimensions of Brand Personality.”

<sup>313</sup> Aaker, “Dimensions of Brand Personality.”

<sup>314</sup> Aaker, “Dimensions of Brand Personality.”

<sup>315</sup> Aaker, “Dimensions of Brand Personality.”

<sup>316</sup> Aaker, “Dimensions of Brand Personality.”

<sup>317</sup> Aaker, “Dimensions of Brand Personality.”

<sup>318</sup> Aaker, “Dimensions of Brand Personality.”

<sup>319</sup> Aaker, “Dimensions of Brand Personality.”

consumers would classify Bad Boy as Competent, Sophisticated or Rugged. Consumers would debate between whether Bad Boy is a brand based on Sincerity or Excitement.

Bad Boy's brand personality has elements of Sincere because of the company's family values. The company's brand personality is wholesome in that it is original, especially the "NOOOBODY" slogan. Bad Boy is the only brand in its industry to be quirky and light-hearted, which demonstrates that it is original in its market. The company's dedication to customer service enables the company to be honest and sincere.

While the Bad Boy brand demonstrates Sincerity, some facets of the brand personify Excitement. The Bad Boy brand might be more spirited than anything else. The company's advertisements are filled with energy and enthusiasm. Its advertising activities are unique, and this might be what the company is best known for. Bad Boy's creative television commercials provide Excitement to its consumer base on a continuous and extensive basis. The brand is also contemporary, as consumers have witnessed Bad Boy transform over several decades. However, the company lacks certain aspects of Excitement, considering the brand is not cool or young. According to Aaker's theory, existing consumers would classify the company's brand personality as a combination of Excitement and Sincerity. Potential customers would consider Bad Boy's personality to embody Excitement, however once customers purchase merchandise and realize Bad Boy's relatively superior customer service, they would realize that the company's brand personality embodies both Excitement and Sincerity.



In 2006, Kevin L. Keller distinguished between corporate brands and product brands.<sup>320</sup> In this analysis, Keller explained that a corporate brand personality “reflect[s] the values, words and actions of all employees of the corporation.”<sup>321</sup> He argued that there are three core dimensions that are crucial for a brand personality to be successful.<sup>322</sup> A brand must have Heart, which means that the brand must be passionate and compassionate.<sup>323</sup> The brand also must have Mind, by displaying that it is creative and disciplined.<sup>324</sup> Lastly, the brand must have Body, meaning that it is agile and collaborative.<sup>325</sup> Keller explains that these aspects enhance each other. In other words, these factors have an exponential effect as opposed to a mere additive effect.<sup>326</sup>

When applying the Bad Boy brand to Keller’s framework, the company has benefitted from an exponential effect of these three traits. The reason for this is because the company’s traits are interrelated, as they help fuel each other.

When analyzing Bad Boy’s Heart, the company displays passion on a constant basis. Bad Boy’s passion is seen through its advertisements. Blayne and Mel physically show passion in television commercials by energetically shouting “NOOOBODY!!!”, while demonstrating a sense of excitement. The company displays compassion in its pricing and customer service strategies. When company employees price products, not only do they guarantee customers the lowest prices, but they also allow the customers to bargain. Bargaining allows the company to provide compassion to a customer from a

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<sup>320</sup> Aaker, “Dimensions of Brand Personality.”

<sup>321</sup> Kevin Lane Keller, “The Importance of Corporate Brand Personality Traits to a Successful 21<sup>st</sup> Century Business,” *Journal of Brand Management* 1-2, vol 14, (2006): 74.

<sup>322</sup> Keller, “The Importance of Corporate Brand Personality Traits to a Successful 21<sup>st</sup> Century Business.”

<sup>323</sup> Keller, “The Importance of Corporate Brand Personality Traits to a Successful 21<sup>st</sup> Century Business.”

<sup>324</sup> Keller, “The Importance of Corporate Brand Personality Traits to a Successful 21<sup>st</sup> Century Business.”

<sup>325</sup> Keller, “The Importance of Corporate Brand Personality Traits to a Successful 21<sup>st</sup> Century Business.”

<sup>326</sup> Keller, “The Importance of Corporate Brand Personality Traits to a Successful 21<sup>st</sup> Century Business.”

financial perspective. In addition, the company shows compassion through its flexible delivery service. Since goods may be shipped to a customer on short notice, he or she feels as if they are being treated compassionately considering their unique situation.

Bad Boy's Mind is creative and disciplined. Bad Boy's creativity is displayed through the company's advertising activities. Blayne has pioneered novel advertisements that have helped shape the company's brand personality. Also, the company has remained disciplined and consistent in its messaging since its re-launch in 1991. This discipline has allowed Bad Boy to retain its brand personality in the eyes of real and potential consumers.

Bad Boy's Body displays that it is collaborative and agile. This has been evident through the company's marketing activities and customer service. The company's marketing activities are collaborative because it consistently features promotional campaigns with local celebrities. Bad Boy's customer service displays collaboration with salespeople and store managers in instances where clients need quick delivery. A client will witness company employees collaborate with one another in order to meet the customer's needs. Moreover, when a customer is bargaining prices, the customer feels a sense of collaboration because of its involvement in pricing the products. Additionally, the company's marketing activities show agility because its marketing campaigns reflect current events. For example, Bad Boy advertises 'back to school' campaigns, Super Bowl advertisements, and many others in a timely manner. The company's agility is also evident by its flexible delivery service. When applying Aaker and Keller's frameworks, Bad Boy has a distinct brand personality.

### **How Does Bad Boy's Pricing Strategy Relate to the Company's Brand Building Efforts?**

The Bad Boy brand has been built on quirky and light-hearted advertisements. Bad Boy consistently uses colourful marketing tactics to promote the company's low prices in advertisements and in the store. This has assisted in building a brand that appeals to its wide target market of people aged 25-49 years-old, with an average income between \$80,000 and \$120,000.

Bad Boy's executive team's strategic approach to pricing involves balancing everyday low pricing and periodic discounting. The company's low everyday pricing is demonstrated by how goods are priced in stores. The prices on Bad Boy products are displayed on physical price tags. Each product has either two or three price tags. On every product, the first price tag is known as the Manufacturer's Suggested Retail Price ("MSRP"), which is the highest price. In addition, there will always be a second price tag, which is the promotional price. This price demonstrates the discount that is offered below the MSRP. The third price tag, which is not always applicable, is the advertised price. The advertised price represents periodic discounting. The advertised price is derived from the company's marketing initiatives, which can be displayed in flyers, newspapers, television commercials or the radio. This will attract consumers to the store on the basis that there is a periodic discount.

Management's pricing strategy is integral to the Bad Boy brand. The company's price point has allowed Blayne to pioneer light-hearted and zany advertisements. If it was not for this competitive price point, the company's advertisements would not be as successful because they would not be suited for its target market.

Bad Boy advertisements are relatable, as they are filled with family members that are excited and energetic. The advertisements are geared towards the masses, which is dictated by the company's price points. On a daily basis, Blayne sells merchandise at Bad Boy locations. Since Mel was the Mayor of Toronto, it was his job to serve the masses. Blayne has leveraged this by using Mel as an advertising tool to appeal to consumers in and around the GTA. This sends the message that Blayne is prepared to serve his customers just like Mel did for the City of Toronto. If Bad Boy did not have a low price point, then not as many people would have Bad Boy in their consideration set when purchasing furniture, mattresses, appliances and electronics. Consequently, this would have been a waste of Mel's celebrity status.

The company's pricing strategy allows customers to feel proud of their purchase. Consumers at Bad Boy generally bargain, which is part of the company's strategy as a discount furniture retailer. This allows the consumer to feel involved in the purchase and a sense of pride in coming to a lower price.

### **Brand Management: Who Manages the Bad Boy Brand?**

Brand management is a crucial aspect of any company. Thus, the CEO should be the person building and maintaining the brand.<sup>327</sup> The CEO should establish a marketing team that can assist with developing brand strategy.<sup>328</sup> It is key for CEOs to create brand vision and follow through with brand execution.<sup>329</sup>

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<sup>327</sup> Lars Finskud, *Building Brand Competencies for Competitive Advantage*, (Brighton, MA Harvard Business Publishing, 2009), 3-10, Product no. BEP 137.

<sup>328</sup> Finskud, *Building Brand Competencies for Competitive Advantage*.

<sup>329</sup> Finskud, *Building Brand Competencies for Competitive Advantage*.

The Bad Boy brand is managed by Blayne. The company's brand has been derived from its marketing activities, specifically television commercials. While Bad Boy has a marketing team of ten individuals that receive input from company executives, the marketing team carries out Blayne's vision.

The marketing team is responsible for day-to-day functions. They direct and film commercials, as well as design newspaper advertisements, flyers, store signage, and delivery trucks. They place products into advertisements with prices and ensure that the advertisements are consistent and appealing to Bad Boy's consumer base. However, it is Blayne who has pioneered the bulk of the company's creative advertisements. It is Bad Boy's creative advertisements that have shaped the brand. In order to manage and maintain the brand, Blayne constantly gives the marketing team new ideas. Naturally, members of the marketing team and executives will bring forward creative marketing campaigns to Blayne, but it is ultimately his decision whether to follow through with the plan. In this process, Blayne determines whether the potential marketing is consistent with the Bad Boy brand.

### **How Should the Bad Boy Brand be Monitored?**

Branding requires a management approach that differs from all other functions because branding requires more focus on factors that are internal to the company.<sup>330</sup> Therefore, the role of employees is instrumental to the brand building and monitoring process.<sup>331</sup> As CEO, Blayne's presence is crucial to the Bad Boy brand. Blayne's physical presence is important to remind customers of the company's commitment to customer

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<sup>330</sup> Fiona Harris and Leslie de Chernatony, "Corporate Branding and Corporate Brand Performance," *MCB UP Ltd* 3-4, vol 35, (2001): 441-456.

<sup>331</sup> Harris and de Chernatony, "Corporate Branding and Corporate Brand Performance."

service. Blayne is needed in order to pioneer creative advertisements so Bad Boy continues to have its brand reputation.

Blayne and the executive team should continuously monitor the company's brand when the new location opens in Ottawa. It will be difficult for the Bad Boy team to anecdotally assess whether the brand is continuing to thrive in all of its markets. As a result, the team must be able to qualitatively and quantitatively determine whether the brand is succeeding in the markets in which Bad Boy operates.

Internally, the Bad Boy team must continuously devise marketing plans that remind Bad Boy's customers of its quirky nature. This is an onerous task that they have successfully accomplished over the last 29 years. This accomplishment is attributable to Blayne's involvement in the company's marketing activities.

Moving forward, it will be beneficial for the company to have less reliance on one individual person, as there is an inherent risk to this. It is important that Bad Boy executives are prepared to operate the brand without Blayne. Business people need to be prepared for anything. If Blayne developed health problems or suddenly died, executive team members would need to rely on other measures to successfully monitor the brand in the long term. Also, if Blayne decides to sell the company and retire, there would be the same result. Consequently, Blayne and others should begin to develop a succession plan in order to monitor the brand in his absence. This might involve hiring new staff or properly training Samantha to oversee the company's brand monitoring functions. Nonetheless, a succession plan is needed in case of an unplanned event.

## CHAPTER 6 – CONCLUSION

The case method of study allows a classroom to learn by doing.<sup>332</sup> This involves “working with actual business challenges faced by real managers.”<sup>333</sup> The cases enable students to analyze information, make decisions, and then defend these decisions when others may disagree.<sup>334</sup> Cases allow students and instructors to apply the frameworks they have learned to real business problems.

In order to produce robust cases, it was necessary to conduct extensive practitioner-focused research. This consisted of interviews with company executives, as well as research related to the discount furniture industry and the company’s competitors. The interviews shed light on the issues that would be optimal subjects of case studies.

The teaching notes were produced in order to aid the instructor. They describe the problem facing the executive, evaluate the options and determine which option is most defensible. The teaching notes also introduce frameworks that are relevant to the analysis of the case. The instructor may have already reviewed these frameworks with the class prior to analyzing the case or, in the alternative, the reviewer may introduce the frameworks within the context of the case. In either instance, cases are a valuable pedagogical tool for instructors to utilize in a classroom because they allow the classroom to evaluate real issues and apply frameworks to a given context.

The first case, titled *Bad Boy: Opportunity to Open a Retail Location*, captures a real business problem Blayne Lastman, Chairman and CEO of Bad Boy, is facing. Bad Boy has eleven retail locations and Blayne is thinking of opening a new location in

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<sup>332</sup> Ivey Business School, “The Case Method Teaching.”

<sup>333</sup> Ivey Business School, “The Case Method Teaching.”

<sup>334</sup> Ivey Business School, “The Case Method Teaching.”

Ottawa, Ontario. Blayne believes Ottawa's demographics meet Bad Boy's determining criteria, and Blayne is reasonably certain that Bad Boy has sufficient brand awareness to have a successful store opening.

Should Bad Boy choose to open a retail location in Ottawa, Bad Boy will need to address how merchandise will be warehoused and distributed. This will require a decision to be made about opening a new warehouse or contracting with a third-party warehouse. Should Bad Boy use third-party warehousing, Blayne must then decide whether to use owner-operator or third-party truck drivers.

In the classroom, students can evaluate the options against the criteria. The overarching decision is whether Bad Boy should open a store in Ottawa. If the answer is yes, then students must decide how to proceed. While the teaching notes provide an evaluation of the options and a defensible position, it is possible for each of the options to be evaluated and defended in a reasonable manner. This allows students to engage in meaningful debate and demonstrates one of the signature qualities of the case-based teaching method.

In Chapter 3, several frameworks are applied, including PEST analysis, Porter's 5 Forces, a competitor analysis and the 4 P's framework, as well as the Retail Planning Process according to Levy and Weitz.

The second case, titled *Brand Building in Ottawa: A New Market*, also considers a real challenge that Blayne Lastman faces. This case is written from the perspective that Bad Boy has decided to open a retail location in Ottawa. Therefore, the main issue in this case is how Bad Boy should proceed in establishing its brand in Ottawa. The decision-



maker must evaluate how Bad Boy has historically established its brand, as well as Bad Boy's current brand personality. As a result, the case provides an in-depth analysis of how Mel Lastman originally founded Bad Boy in 1955 and how Blayne resurrected the Bad Boy brand in 1991. Currently, Bad Boy's brand is zany and quirky, which has been demonstrated in its television commercials. Bad Boy has leveraged its brand in order to successfully open eleven stores in and around the GTA. However, the Ottawa opportunity provides Bad Boy with a novel challenge, as Bad Boy's brand awareness is not as strong in Ottawa as other markets where Bad Boy has opened stores.

The teaching note in Chapter 5 evaluates Bad Boy's brand and advertising by applying the ELM framework, as well as Aaker and Keller's frameworks on brand personality. The case is framed in a manner that allows a classroom to critically analyze and apply these frameworks. Further, Bad Boy's RVP, brand image, positioning and pricing strategy are analyzed. The case allows an instructor to discuss and apply these concepts.

The two cases and their accompanying teaching notes are the result of robust practitioner-focused research. Not only do they represent real world business problems for a classroom to debate and discuss, they also provide a roadmap of solutions and opportunities for the business owner that can be practically and usefully applied. Thus making this academic exercise a viable business expansion plan for an actual business executive.

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## **APPENDICES**

## Appendix A – Research and Ethics Board Approval

**Peter Voyer**

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**From:** ethics@uwindsor.ca  
**Sent:** February-13-19 1:13 PM  
**To:** Bradley Lastman; Peter Voyer  
**Cc:** ETHICS  
**Subject:** REB Clearance



Today's Date: February 13, 2019  
Principle Investigator: Mr. Bradley Lastman  
REB Number: 35709  
Research Project Title: REB# 19-032: "Using the case research method to ascertain the strategic marketing options available to a company when it intends to expand geographically"  
Clearance Date: February 11, 2019  
Project End Date: December 31, 2019  
Milestones:  
Renewal Due-12/31/2019(Pending)

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This is to inform you that the University of Windsor Research Ethics Board (REB), which is organized and operated according to the Tri-Council Policy Statement and the University of Windsor Guidelines for Research Involving Human Subjects, has granted approval to your research project on the date noted above. This approval is valid only until the Project End Date.

A Progress Report or Final Report is due by the date noted above. The REB may ask for monitoring information at some time during the project's approval period.

During the course of the research, no deviations from, or changes to, the protocol or consent form may be initiated without prior written approval from the REB. Minor change(s) in ongoing studies will be considered when submitted on the Request to Revise form.

Investigators must also report promptly to the REB:

- a) changes increasing the risk to the participant(s) and/or affecting significantly the conduct of the study;
- b) all adverse and unexpected experiences or events that are both serious and unexpected;
- c) new information that may adversely affect the safety of the subjects or the conduct of the study.

Forms for submissions, notifications, or changes are available on the REB website: [www.uwindsor.ca/reb](http://www.uwindsor.ca/reb). If your data is going to be used for another project, it is necessary to submit another application to the REB.

We wish you every success in your research.

Dr. Suzanne McMurphy, Ph.D.  
Chair, Research Ethics Board  
2146 Chrysler Hall North  
University of Windsor  
519-253-3000 ext. 3948  
Email: [ethics@uwindsor.ca](mailto:ethics@uwindsor.ca)

## Appendix B – Consent to Use Case Study



### CONSENT TO USE CASE STUDY

To: Ivey Business School Foundation ("IBS Foundation"); and  
The Richard Ivey School of Business (the "Ivey Business School"); and  
The University of Western Ontario ("UWO")

Regarding:

Bad Boy Furniture Co.: Case-Based Analyses of Retail Expansion and Brand-building Apr 29/2019  
Product Title version date

Bradley Lastman  
Written by

The undersigned has read the case study outlined above, in which I, and/or the organization with which I am affiliated, is described. The information used in the development of this case study has been provided as a courtesy and neither I nor my organization assume any future liability for the case study. I understand that typically, but not always, the Ivey Business School and/or UWO may test the use of this case study in a classroom environment and that as a result of this use, the case study may be modified, but not in a material way.

On the basis of my review of the attached case study, I agree that the case study may be used as outlined above and I agree that the case study does not require changes, except as noted on the attached case study.

I further agree that IBS Foundation, in its sole discretion, may change the case study from time to time to correct typographical and grammatical errors and to rearrange paragraphs, exhibits, etc. On behalf of my organization and myself personally, I agree that other changes may be made to this case study from time to time by IBS Foundation to enhance its use in a classroom environment and agree that: ☒ I do ☐ I do not wish to review such changes to this case study. IBS Foundation will not make changes to which I reasonably object on the basis of reputational, accuracy, or confidentiality concerns.

On behalf of my organization and myself personally:

A. I hereby authorize the use of this case study at:

- i. the Ivey Business School and/or UWO, and
- ii. other educational institutions and other organizations:

B. I acknowledge that the copyright for this case study is held by IBS Foundation, and that IBS Foundation may, in its sole discretion, distribute, sell, authorize use of this case study in a book or otherwise deal commercially with this case study in whatever way it deems appropriate. Revisions to the case study are subject to the review provisions set forth above.

I have authority to execute this agreement:

Name:

BLAYNE LASTMAN

Position:

CHAIRMAN & CEO

Organization:

LASTMAN'S BAD BOY

Address:

560 FENHURST DR. WESTON, ONTARIO

M9L-2H5

Date:

Apr 28/2019

Signature

[Signature]

Print Form

Consent to Use | 2018-01



## **VITA AUCTORIS**

NAME: Bradley Lastman

PLACE OF BIRTH: Toronto, ON

YEAR OF BIRTH: 1993

EDUCATION: Community Hebrew Academy of Toronto,  
Toronto, ON, 2011

University of Western Ontario, HBA, London,  
ON, 2015

University of Windsor, JD, Windsor, ON, 2019

University of Windsor, MBA, Windsor, ON,  
2019